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**MEO Australia Limited**  
(ABN 43 066 447 952)

# Target's Statement

The Directors of MEO Australia Limited recommend you

# REJECT

the takeover offer from  
**Mosman Oil and Gas Limited**

**Your Directors recommend that you REJECT Mosman's Offer and do nothing in relation to any documents received from Mosman**

This Target's Statement has been issued in response to the off-market takeover offer from Mosman Oil and Gas Limited (ABN 90 150 287 111).

Financial Advisers



Legal Advisers



LAWYERS

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This is the Target's Statement dated 25 February 2015 given by MEO Australia Limited (ABN 43 066 447 952) (**MEO**) under Part 6.5 Division 3 of the Corporations Act (as amended by ASIC Class Order 13/528). This Target's Statement is given in response to the Replacement Bidder's Statement issued by Mosman Oil and Gas Limited (ABN 90 150 287 111) (**Mosman**) dated 10 February 2015 (**Replacement Bidder's Statement**), which was sent to MEO Shareholders on or about 24 February 2015.

A copy of this Target's Statement has been lodged with ASIC. Neither ASIC nor any of its officers takes any responsibility for the contents of this Target's Statement.

A copy of this Target's Statement has also been lodged with ASX. Neither ASX nor any of its officers takes any responsibility for the contents of this Target's Statement.

The MEO Directors recommend that you read this Target's Statement in full and seek independent advice if you have any queries in respect of the Mosman Offer.

## **DEFINED TERMS**

Unless otherwise noted, capitalised terms and certain abbreviations used in this Target's Statement are defined in the Glossary in section 11 of this Target's Statement.

## **INVESTMENT DECISIONS**

This Target's Statement does not take into account your investment objectives, financial situation or particular needs and should not be relied upon as the sole basis of any investment decision in relation to the Mosman Offer. You should seek independent financial and taxation advice before making any investment decision and any decision relating to the Mosman Offer.

## **AUSTRALIAN TAXATION CONSEQUENCES OF THE MOSMAN OFFER**

In making a decision whether to accept the Mosman Offer, MEO Shareholders should also have regard to the fact that disposal of MEO Shares may have taxation consequences. MEO Shareholders should refer to section 9.9 of this Target's Statement and section 7 of the Replacement Bidder's Statement for an overview of certain potential Australian taxation consequences. However, it is recommended that MEO Shareholders also seek their own independent advice as to any taxation consequence.

## **FORWARD-LOOKING STATEMENTS**

Certain statements in this Target's Statement relate to the future and are forward-looking statements. These forward-looking statements involve known and unknown risks, key considerations, uncertainties, assumptions and other important factors that could cause the actual results, performance or achievements of MEO to be materially different from future results, performance or achievements expressed or implied by such statements. These factors include, among other things, general economic conditions (including currency exchange rates and interest rates), the regulatory environment, structural changes in the industries in which MEO operates, competitive pressures, selling prices and market demand. The forward-looking statements in this Target's Statement reflect views held by MEO only as at the date of this Target's Statement.

Other than as required by law, neither MEO nor any other person gives any representation, assurance or guarantee that the occurrence of the events expressed or implied in any forward-looking statements in this Target's Statement will actually occur or that other events will not occur.

Subject to any continuing obligations under law or the Listing Rules, MEO and the MEO Directors disclaim any obligation or undertaking to disseminate after the date of this Target's Statement any updates or revisions to any forward-looking statements to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based, other than to comply with legal obligations or the Listing Rules.

## **RISK FACTORS**

MEO Shareholders should note that there are a number of risks attached to their investment in MEO. Please refer to section 8.1 of this Target's Statement for further information on those risks.

MEO Shareholders should also note that there are risks involved with accepting the Mosman Offer including, without limitation, risks associated with investing in Mosman. Please refer to section 8.2 of this Target's Statement and section 8 of the Replacement Bidder's Statement for further information on those risks.

## **FOREIGN JURISDICTIONS**

The release, publication or distribution of this Target's Statement in jurisdictions other than Australia may be restricted by law or regulation in such other jurisdictions and persons who come into possession of it should seek advice and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable laws or regulations. This Target's Statement may not be the same as that which would have been disclosed if this Target's Statement had been prepared in accordance with the laws and regulations outside Australia.

## **DISCLAIMER AS TO INFORMATION**

MEO has prepared the information concerning Mosman contained in this Target's Statement using publicly available information. MEO has not independently verified the information concerning Mosman contained in this Target's Statement. MEO does not make any representation or warranty (express or implied) regarding the accuracy or completeness of such information (subject to the Corporations Act).

For the purposes of this Target's Statement, MEO has assumed that the number of MEO Shares held by Mosman, or in which Mosman has a Relevant Interest, is as set out in the Replacement Bidder's Statement. Any calculations in this Target's Statement relating to the number of Mosman Shares to be issued as Offer Consideration exclude any MEO Shares in which Mosman already has a Relevant Interest.

Gilbert + Tobin has prepared the general outline of certain Australian income tax implications of accepting the Mosman Offer for Australian resident MEO Shareholders in section 9.9 of this Target's Statement and takes responsibility for that section only. Neither MEO nor any of its officers, employees or advisors assumes responsibility for the accuracy or completeness of the information contained in section 9.9 of this Target's Statement. Gilbert + Tobin does not assume any responsibility for the accuracy or completeness of the information contained in this Target's Statement, other than that contained in section 9.9.

## **CONTINGENT AND PROSPECTIVE RESOURCES**

The information in this Target's Statement that relates to Contingent Resources and Prospective Resources for MEO is based on, and fairly represents, information and supporting documentation compiled by Peter Stickland, the Managing Director & Chief Executive Officer of MEO. Mr Stickland B.Sc (Hons) has over 25 years of relevant experience, is a member of the European Association of Geoscientists & Engineers and the Petroleum and Exploration Society of Australia, and consents to the publication of the resource assessments contained herein. The Contingent Resource and Prospective Resource estimates are consistent with the definitions of hydrocarbon resources that appear in the Listing Rules.

In regard to Prospective Resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

## **MAPS AND DIAGRAMS**

Any maps, diagrams, charts, graphs and tables contained in this Target's Statement are illustrative only and may not be drawn to scale. Unless stated otherwise, all data contained in maps, diagrams, charts, graphs and tables is based on information available as at the date of this Target's Statement.

## **ROUNDING**

A number of figures, amounts, percentages, prices, estimates, calculations of value and fractions in this Target's Statement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this Target's Statement.

## **INTERNET**

MEO maintains a website. The MEO website is accessible at [www.meoaustralia.com.au](http://www.meoaustralia.com.au). Information contained in, or otherwise accessible through, this website, or any other website referred to in this Target's Statement, is not a part of this Target's Statement. All references in this Target's Statement to any website are inactive textual references and are for your information only.

## **PRIVACY**

MEO has collected your information from the MEO Register for the purpose of providing you with this Target's Statement. The type of information MEO has collected about you includes your name, contact details and information on your shareholding in MEO. Without this information, MEO would be hindered in its ability to issue this Target's Statement. The Corporations Act requires the name and address of MEO Shareholders to be held in a public register. Your information may be disclosed on a confidential basis to external service providers (such as MEO's share registry and print and mail service providers) and may be required to be disclosed to regulators (such as ASIC and the ASX). If you would like to obtain details of the information held about you by MEO, please contact Link Market Services Limited at the address shown below. The registered office of MEO is Level 20, 500 Collins Street, Melbourne, Victoria, 3000. The address for Link Market Services Limited is Level 1, 333 Collins Street, Melbourne, Victoria, 3000.

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## Important dates

Announcement of the original terms of the Mosman Offer	<b>11 December 2014</b>
Announcement of the revised terms of the Mosman Offer	<b>19 January 2015</b>
Date of the Replacement Bidder's Statement	<b>10 February 2015</b>
Date of the Mosman Offer	<b>24 February 2015</b>
Date of this Target's Statement	<b>25 February 2015</b>
Date for Mosman to give the Notice of Status of Conditions	<b>17 March 2015</b>
Scheduled close of the Mosman Offer (unless extended or withdrawn)	<b>5pm (WST) on 24 March 2015</b>

## WHY YOU SHOULD REJECT

Reasons to **REJECT** the Mosman Offer:

- ✘ **Mosman has limited cash and its ability to continue as a going concern is uncertain**
- ✘ **When announced, the revised Mosman Offer represented a discount of approximately 18.8% to the MEO Share closing price and the Mosman Share price has since been volatile**
- ✘ **Mosman may issue up to 21.1 million more Mosman Shares before 30 September 2015, diluting shareholders to an unknown extent**
- ✘ **The Mosman Offer is highly conditional, opportunistic and uncertain**

For further information on the MEO Directors' recommendation, reasons to **REJECT** the Mosman Offer and the potential consequences of not accepting the Mosman Offer, please refer to sections 2.1, 2.3 and 2.4 of this Target's Statement.

## WHAT YOU SHOULD DO

The MEO Directors recommend that you **REJECT** the Mosman Offer.

The MEO Directors encourage you not to make a decision about whether to accept the Mosman Offer without carefully reading the Replacement Bidder's Statement and this Target's Statement. In deciding whether or not to accept the Mosman Offer, you should take into account your own personal circumstances.

## WHAT YOU NEED TO DO

You should read this Target's Statement, which contains your MEO Directors' recommendation to **REJECT** the Mosman Offer and the MEO Directors' reasons for providing this recommendation.

**If you wish to **REJECT** the Mosman Offer, you may simply do nothing and ignore all documents received from Mosman.**

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## Letter from the Chairman of MEO

Dear MEO Shareholder

For some time your Board has been considering strategic options available to the Company, with the objective of enhancing value for MEO Shareholders by building a well-capitalised junior exploration and production company that is able to pursue the MEO Group's existing projects, as well as new opportunities.

We have also been focused on greater financial discipline, implementing a range of cost cutting initiatives intended to reduce corporate overheads by more than 60% compared to the 2014 financial year, resulting in reductions of approximately \$2.5 million per annum from March 2015.

As you would be aware, in November 2014 MEO announced a proposed merger of equals with Neon Energy, and entered into a merger implementation agreement to facilitate that merger. The proposed merger was a good fit with MEO's strategic objectives for any corporate transaction.

Subsequent to MEO lodging the Scheme Booklet in December 2014 however, Neon Energy announced that its board had resolved to recommend an alternative proposal to Neon Energy's shareholders. Accordingly, the merger implementation agreement between MEO and Neon Energy was terminated, and Neon Energy paid MEO a reimbursement fee of \$400,000 (plus GST).

On 11 December 2014, MEO received notice from Mosman, indicating that Mosman intended to make an off-market takeover offer to acquire 100% of outstanding MEO Shares on the basis of one Mosman Share for every twenty MEO Shares on issue.

The MEO Directors responded to the initial Mosman proposal, noting that they were concerned about a number of aspects of the unsolicited, opportunistic and highly conditional proposal, including the cash resources of Mosman and the substantial discount to MEO's trading prices (as was implied by the Mosman Offer at that time).

On 19 January 2015, MEO received a revised notice from Mosman, indicating that Mosman intended to vary its offer to one Mosman Share for every ten MEO Shares on issue (**Mosman Offer**).

On 10 February 2015, the MEO Directors received the Replacement Bidder's Statement, which includes details of the Mosman Offer.

Having reviewed the Replacement Bidder's Statement and based on information available to date, **MEO Shareholders are advised to REJECT the Mosman Offer and TAKE NO ACTION in relation to the Mosman Offer or any document received from Mosman.**

Each of the MEO Directors also intend to **REJECT** the Mosman Offer for any MEO Shares they control.

The MEO Directors recommend that MEO Shareholders **REJECT** the Mosman Offer for four key reasons, each on its own being a reason to **REJECT** the Mosman Offer.

### **1. Mosman has limited cash reserves and its ability to continue as a going concern is uncertain**

The Mosman Offer fails to address the most important strategic aspect of any merger or takeover from MEO's perspective, being, the potential of the Mosman Offer to substantially improve access to funding to support the MEO Group's exploration projects and business development opportunities.

As at the date of the Replacement Bidder's Statement, Mosman had a cash balance of approximately \$2 million only. Further, Mosman's independent auditor has noted that Mosman had only \$1.06 million of working capital surplus as at 31 December 2014, and that

there is material uncertainty related to events or conditions that may cast significant doubt on Mosman's ability to continue as a going concern.

## **2. When announced, the revised Mosman Offer represented a discount of approximately 18.8% to the MEO Share closing price and the Mosman Share price has since been volatile**

As at 19 January 2015, being the date Mosman announced the terms of the revised Mosman Offer, the Mosman Offer represented a discount of approximately 18.8% to the last traded price of MEO Shares.<sup>1</sup>

From 19 January 2015 to 23 February 2015, being the last practicable date prior to the finalisation of this Target's Statement, the Mosman Offer represented an average discount of 0.5% to MEO Share closing prices.<sup>2</sup> Over this period, Mosman Shares have shown significant volatility, fluctuating between 3.875 and 13.75 pence per share.<sup>3</sup>

Given the lengthy time the Mosman Offer may be open, possibly several months, the MEO Board can have no confidence that the Mosman Offer will represent a significant premium to the price of MEO Shares at the any time during the Mosman Offer, or whether in fact it might be at a discount.

## **3. Mosman may issue 21.1 million more Mosman Shares before 30 September 2015, diluting shareholders to an unknown extent**

Mosman may issue up to an additional 21.1 million Mosman Shares before 30 September 2015, diluting MEO Shareholders that choose to accept the Mosman Offer to an unknown extent and increasing the uncertainty regarding the value of the Offer Consideration.

## **4. The Mosman Offer is highly conditional, opportunistic and uncertain**

The Mosman Offer is highly conditional, being subject to, among other conditions, approval of Mosman's Shareholders (for which Mosman has not yet scheduled any meeting, and which Mosman does not intend to seek until it is clear such approval will be required by the AIM Rules) and 90% minimum acceptance by MEO Shareholders.

The Mosman Offer is subject to the Conditions and can only succeed if all Conditions are satisfied or waived. If the Mosman Offer becomes unconditional, MEO Shareholders (other than Foreign Shareholders) who accept the Mosman Offer will become shareholders of Mosman. In those circumstances, MEO Shareholders will be exposed to those risks that are specific to an investment in Mosman. These risks are explained in detail in section 8 of the Replacement Bidder's Statement.

MEO Shareholders should note that they will not receive the Offer Consideration any sooner by accepting the Mosman Offer early and, in any case, will not receive the Offer Consideration until each of the Conditions have been satisfied or waived. Further, **MEO Shareholders that accept the Mosman Offer will be prevented from participating in a superior proposal, should one eventuate**, unless the limited circumstances for withdrawal apply.

MEO Shareholders should also note that the Offer Consideration is in the form of certificated Mosman Shares, which you will need to convert to be able to trade on AIM (operated by London Stock Exchange).

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<sup>1</sup> Based on the closing price of Mosman Shares of 7.5 pence per share, the closing price of MEO Shares of 1.7 cents per share and the Australian dollar British pound exchange rate of 0.5435. Source: IRESS.

<sup>2</sup> Based on the daily closing prices of Mosman Shares, the daily closing prices of MEO Shares and the daily closing Australian dollar British pound exchange rates from and including 19 January 2015 to 23 February 2015. Source: IRESS.

<sup>3</sup> Based on the prices of Mosman Shares from and including 19 January 2015 to 23 February 2015. Source: IRESS. See section 4.2 of this Target's Statement for further information.

Set out in sections 2.3 and 2.4 of this Target's Statement are some of the relevant matters that were considered in forming the MEO Directors' recommendation to **REJECT** the Mosman Offer.

You are encouraged to read the Replacement Bidder's Statement and this Target's Statement in full and to consider the Mosman Offer having regard to your personal circumstances. The MEO Directors encourage you to seek your own independent financial and taxation advice prior to deciding whether to accept the Mosman Offer.

**To REJECT the Mosman Offer you should simply do nothing and take no action in relation to all documents sent to you by Mosman.** To accept the Mosman Offer you should follow the instructions in the Replacement Bidder's Statement and complete the relevant Acceptance Form enclosed with the Replacement Bidder's Statement.

On behalf of the MEO Board, I would like to thank you for your support and look forward to providing further updates in due course.

Yours sincerely

A handwritten signature in black ink, appearing to read 'G Short', written in a cursive style.

Gregory Short

Chairman, MEO Australia Limited

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# 1 Summary of Mosman Offer

## 1.1 Mosman Offer

On 11 December 2014, Mosman announced its proposal to acquire all of the fully paid ordinary shares in the capital of MEO by way of an off-market takeover bid.

Mosman lodged its Replacement Bidder's Statement with ASIC on 10 February 2015, and sent it to MEO Shareholders on or about 24 February 2015. The Replacement Bidder's Statement contains the full terms and conditions of the Mosman Offer, together with other information material to your decision whether or not to accept the Mosman Offer.

Please refer to section 4 of this Target's Statement for further details relating to the Mosman Offer.

## 1.2 Offer Period

Unless the Mosman Offer is extended or withdrawn, it is open for acceptance from 24 February 2015 until 5.00pm (WST) on 24 March 2015.

The circumstances in which Mosman may extend or withdraw the Mosman Offer are set out in sections 4.7 and 4.8 of this Target's Statement.

## 1.3 Offer Consideration

Under the Mosman Offer, the Offer Consideration being offered by Mosman is one Mosman Share for every ten MEO Shares held. The trading prices of Mosman Shares have shown significant volatility, trading in a range of 3.875 to 13.75 pence in the period since Mosman announced the terms of the revised Mosman Offer.<sup>4</sup>

MEO Shareholders (other than Foreign Shareholders) who accept the Mosman Offer will, if the Conditions are satisfied or waived, receive Mosman Shares forming the Offer Consideration in a certificated form. This means that accepting MEO Shareholders will be issued a share certificate evidencing the Mosman Shares they hold.

Unlike MEO, which is listed on ASX, Mosman is listed on AIM and subject to AIM Rules. As such, you will be exposed to the applicable securities laws, which will be different to those as a shareholder of a company listed on ASX.

MEO Shareholders should be aware AIM is a market operated by the London Stock Exchange in a different jurisdiction and time zone to the ASX. Further, given that the focus of AIM is to provide a market for small to medium-sized companies, entities listed on AIM tend to cover a limited breadth and depth compared to those listed on ASX. This may in turn affect the liquidity of Mosman Shares.

To be able to trade Mosman Shares on AIM, MEO Shareholders will need to convert their certificated Mosman Shares into "depository interests" to facilitate trading via a UK computerised paperless share transfer and settlement system called CREST. CREST allows shares and other securities to be held in electronic rather than paper form and transferred otherwise than by written instrument. CREST is a voluntary system and those who wish to continue to hold their Mosman Shares in certificated form will be able to do so (although this will preclude the holder from being able to trade those Mosman Shares on market).

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<sup>4</sup> Based on the prices of Mosman Shares from and including 19 January 2015 to 23 February 2015. Source: IRESS. See section 4.2 of this Target's Statement for further information.

Mosman has appointed its UK share registry, Computershare Investor Services plc, as its "depository" (**Depository**) to hold and issue "depository interests" in respect of, and representing, on a one-for-one basis, Mosman Shares (**Mosman DIs**).

The Mosman DIs will be independent securities and will be held on a register maintained by the Depository.

MEO Shareholders wishing to hold Mosman DIs in CREST will be required to wait until they have received their certificate for Mosman Shares and then engage the services of a stockbroker with a CREST position, to convert those certificated Mosman Shares to Mosman DIs.

#### **1.4 Payment of Offer Consideration**

Mosman has stated in the Replacement Bidder's Statement that if you accept the Mosman Offer, subject to satisfaction or waiver of the Conditions, you will receive one Mosman Share for every ten MEO Shares held by you. Full details of when you will receive the Offer Consideration are set out in section 10 of the Replacement Bidder's Statement.

If you accept the Mosman Offer and you are a Foreign Shareholder, you will not be entitled to receive Mosman Shares as consideration for your MEO Shares. In these circumstances, the Mosman Shares which would otherwise have been issued to you will instead be issued to the Sale Nominee who will sell those Mosman Shares and remit the net sale proceeds to you by cheque in Australian dollars. See sections 4.15 of this Target's Statement for further details.

#### **1.5 Conditions to the Mosman Offer**

The Mosman Offer is subject to the Conditions set out in section 10.11 of the Replacement Bidder's Statement and include the 90% Minimum Acceptance Condition, Mosman shareholder approval and receipt by Mosman of all required regulatory approvals and consents in connection with the Mosman Offer.

Please refer to section 4.4 of this Target's Statement for further details. Please also refer to section 10.11 of the Replacement Bidder's Statement for the full terms of the Conditions.

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## 2 Recommendation of the MEO Directors and reasons to REJECT the Mosman Offer

### 2.1 MEO Directors' recommendation

The MEO Directors as at the date of this Target's Statement are:

- (i) Gregory Short;
- (ii) Stephen Hopley; and
- (iii) Peter Stickland.

The MEO Directors recommend that MEO Shareholders **REJECT** the Mosman Offer for the reasons set out in section 2.3 of this Target's Statement.

In considering whether you wish to follow that recommendation, you should read the Replacement Bidder's Statement and this Target's Statement in full. In particular, you should note that the Mosman Offer is subject to a number of Conditions, which are summarised in section 4.4 of this Target's Statement.

It is also important that you consider your individual risk profile, portfolio strategy, tax position and financial circumstances before deciding how to respond to the Mosman Offer and seek your own independent financial and taxation advice if appropriate.

MEO Shareholders should note that they will not receive the Offer Consideration any sooner by accepting the Mosman Offer early and, in any event, will not receive the Offer Consideration until each of the Conditions have been satisfied or waived.

Unless the Mosman Offer is extended or withdrawn, it is open for acceptance until 5.00pm (WST) on 24 March 2015. **Once you have accepted the Mosman Offer, you will be prevented from participating in a superior proposal**, should one eventuate, unless the limited circumstances for withdrawal apply.

MEO currently is in discussions with third parties concerning potential proposals. However, as at the date of this Target's Statement, the MEO Directors are not aware of any intention by anyone to make a superior proposal and there is no guarantee of a superior proposal at any future time.

### 2.2 Intentions of the MEO Directors

Each of the MEO Directors intend to **REJECT** the Mosman Offer in relation to the MEO Shares they control.

### 2.3 Reasons to **REJECT** the Mosman Offer

- (a) **Mosman has limited cash and its ability to continue as a going concern is uncertain**

The Mosman Offer fails to address the most important strategic aspect of any merger or takeover from MEO's perspective, which is the capacity of Mosman to substantially improve access to funding in order to support the MEO Group's exploration projects and business development opportunities.

Mosman states in its Replacement Bidder's Statement that it has cash reserves of approximately \$2 million only, and that the Mosman board believes its current cash reserves will be adequate to fund its operation and expenditure

requirements for the 2015 calendar year and will be sufficient to maintain its corporate and administration expenses until 30 September 2015.

However, Mosman's independent auditor noted in Mosman's financial reports to the half year ending 31 December 2014 that the Mosman Group had a working capital surplus of only \$1.06 million, and had cash outflows from operating activities of \$1.38 million for the half-year then ended. Mosman's auditors also noted there is a material uncertainty related to events or conditions that may cast significant doubt on Mosman's ability to continue as a going concern.

Mosman has stated that it may raise additional funds by way of equity capital raising before 30 September 2015. Mosman does not have a long, established track record, has not earned profits to date and has no properties producing positive cash flow. Accordingly, there is no assurance Mosman will be able to raise additional funds on acceptable terms or at all.

Mosman's failure to obtain sufficient funds could:

- (i) delay or suspend Mosman's activities, business plans and other objectives;
- (ii) have a material adverse effect on Mosman's business, its financial condition and performance; and/or
- (iii) cast significant doubt on the Company's ability to continue as a going concern.

(b) **When announced, the revised Mosman Offer represented a discount of approximately 18.8% to the MEO Share closing price and the Mosman Share price has since been volatile**

As at 19 January 2015, being the date Mosman announced the terms of the revised Mosman Offer, the Mosman Offer represented a discount of approximately 18.8% to the last traded price of MEO Shares.<sup>5</sup>

From 19 January 2015 to 23 February 2015, being the last practicable date prior to the finalisation of this Target's Statement, the Mosman Offer represented an average discount of 0.5% to MEO Share closing prices.<sup>6</sup> Over this period, Mosman Shares have shown significant volatility, fluctuating between 3.875 and 13.75 pence.<sup>7</sup>

Given the lengthy time the Mosman Offer may be open, possibly several months, the MEO Board can have no confidence that the Mosman Offer will represent a significant premium to the trading prices of MEO Shares at the any time during the Mosman Offer, or whether in fact it may be at a discount.

The graph below sets out the implied price the Mosman Offer represents in comparison to the closing prices of MEO Shares from 19 January 2015 up to and including 23 February 2015, being the last practicable date prior to the finalisation of this Target's Statement.<sup>8</sup>

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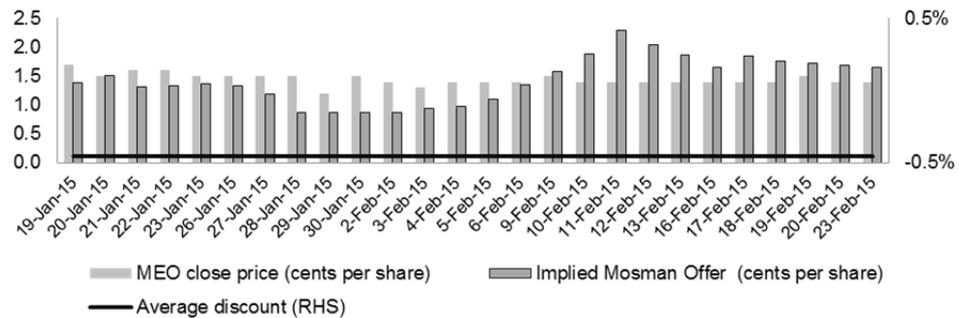
<sup>5</sup> Based on the closing price of Mosman Shares of 7.5 pence per share, the closing price of MEO Shares of 1.7 cents per share and the Australian dollar British pound exchange rate of 0.5435. Source: IRESS.

<sup>6</sup> Based on the daily closing prices of Mosman Shares, the daily closing prices of MEO Shares and the daily closing Australian dollar British pound exchange rates from and including 19 January 2015 to 23 February 2015. Source: IRESS.

<sup>7</sup> Based on the prices of Mosman Shares from and including 19 January 2015 to 23 February 2015. Source: IRESS. See section 4.2 of this Target's Statement for further information.

<sup>8</sup> Based on the daily closing prices of Mosman Shares, the daily closing prices of MEO Shares and the daily closing Australian dollar British pound exchange rates from and including 19 January 2015 to 23 February 2015. Source: IRESS.

**Figure 1 - Mosman implied Offer price vs MEO trading prices**



As the Offer Consideration comprises Mosman Shares only, the Offer Consideration will vary with the market price of Mosman Shares and the Australian dollar to British pound exchange rate. Please see section 4.2 of this Target's Statement for the discounts and premiums the Offer Consideration represents relative to MEO Share trading prices at and across different periods.

(c) **Mosman may issue up to 21.1 million more Mosman Shares before 30 September 2015, diluting shareholders to an unknown extent**

Mosman may issue up to an additional 20 million new Mosman Shares before 30 September 2015 to fund operational and expenditure requirements. There is a significant risk Mosman will not be able to raise equity capital. Even if Mosman does raise equity capital during the Offer Period, it may conduct further raisings after the Mosman Offer. There is insufficient information as to how dilutive further raisings might be to MEO Shareholders. MEO Shareholders can have little idea what percentage of Mosman they will own in the medium or long term should they choose to accept the Mosman Offer.

Additionally, Mosman has also entered into arrangements with the directors of Trident Energy Limited, whereby Mosman has an option to issue an aggregate of 1,109,684 Mosman Shares in lieu of paying the directors \$554,842.13 (in payment of director fees, consulting fees and/or other loan amounts) and Mosman intends to exercise this option on or before 30 September 2015.

The issuance of additional equity securities in Mosman and/or the Combined Entity may have the following effects for MEO Shareholders:

- (i) the proportionate ownership interest of MEO Shareholders may decrease;
- (ii) the relative voting strength of each MEO Shareholder may diminish; and
- (iii) the market price of Mosman Shares may fluctuate.

As a result, current Mosman Shareholders will continue to have substantial control over the Combined Entity if the Mosman Offer completes. Accordingly, MEO Shareholders may not be able to significantly influence some of the Combined Entity's important decisions.

(d) **The Mosman Offer is highly conditional, opportunistic and uncertain**

The Mosman Offer is highly conditional and uncertain. As set out in section 10.11 of the Replacement Bidder's Statement, the Mosman Offer is subject to 11 separate Conditions (and numerous further sub-conditions), including:

- (i) the approval of Mosman Shareholders, for which Mosman has not yet scheduled any meeting, and which Mosman does not intend to seek until it is clear such approval would be required under the AIM Rules; and
- (ii) a 90% minimum acceptance by MEO Shareholders at or before the end of the Offer Period.

It is important that you understand the risks and implications of accepting Mosman's Offer. If you accept the Mosman Offer and any of the Conditions are not satisfied or waived:

- (iii) Mosman will not be obliged to acquire your MEO Shares;
- (iv) you will be unable to sell your MEO Shares; and
- (v) you will be unable to accept any superior offer that may emerge for MEO,

unless and until Mosman closes or withdraws the Mosman Offer, or a right to withdraw your acceptance arises under the Corporations Act.

## 2.4 Potential consequences of not accepting the Mosman Offer

In addition to the risks outlined in section 8 of this Target's Statement, MEO Shareholders should also consider the following potential consequences of not accepting the Mosman Offer:

(a) **Risks associated with an investment in MEO**

Since the Announcement Date, the MEO Share price has fluctuated between \$0.025 and \$0.012, and closed at \$0.014 on 23 February 2015, being the last practicable date prior to the finalisation of this Target's Statement.<sup>9</sup>

If the Mosman Offer is unsuccessful and no other offers emerge, MEO's share price may fluctuate and MEO Shareholders will continue to be exposed to the ongoing risks associated with an investment in MEO.

In particular, the MEO Directors note that:

- (i) **Drilling risk:** Drilling operations are high-risk and subject to hazards normally encountered in exploration, development and production. Although it is intended to take adequate precautions to minimise risk, there is a possibility of a material adverse impact on the MEO Group's operations and its financial results should any of these hazards be encountered.
- (ii) **Exploration risk:** Development of the MEO Group'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

<sup>9</sup> Based on the prices of MEO Shares from 11 December 2014 up to and including 23 February 2015. Source: IRESS.

adequately mitigate. There is no assurance that commercial quantities of petroleum will be discovered on the MEO Group'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.

- (iii) **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.
- (iv) **Commodity price risk:** The current and future profitability of the MEO Group'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. Decreases in commodity prices could adversely affect the MEO Group, including its ability to finance the development of its projects.
- (v) **Country risk:** The MEO Group operates in foreign jurisdictions including Cuba and New Zealand. As a result, the MEO Group is exposed to the political, economic and other risks and uncertainties associated with operating in such countries. These risks and uncertainties may be unpredictable and could adversely affect the value of the assets or future financial performance of the MEO Group.
- (vi) **Joint ventures:** The MEO Group participates in several joint venture arrangements and may enter into further joint ventures. Although the MEO Group has sought and will continue to seek to protect its interests, existing and future joint ventures necessarily involve special risks. Where projects and operations are controlled and managed by the MEO Group's partners, the MEO Group may provide expertise and advice but it has limited control with respect to compliance with its standards and objectives.
- (vii) **Permits and tenure:** All licences and permits in which the MEO Group has an interest are subject to renewal conditions or are yet to be granted, which will be at the discretion of relevant Ministries in each country. 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.

Please refer to section 8.1 of this Target's Statement for further details of the risks involved with an investment in MEO.

(b) **Mosman may become entitled to compulsorily acquire MEO Shares**

Mosman has stated in section 6.4(c) of the Replacement Bidder's Statement that if the conditions for compulsory acquisition are satisfied, Mosman intends to proceed with compulsory acquisition. If at the end of the Offer Period, Mosman becomes entitled to, and does, compulsorily acquire all outstanding MEO Shares, MEO Shares will become 100% owned by Mosman (assuming the MEO Options are not exercised).

Please refer to section 4.14 of this Target's Statement for further details.

MEO Shareholders should be aware that, if they do not accept the Mosman Offer prior to its expiry and their MEO Shares are compulsorily acquired, they will face a delay in receiving consideration for their MEO Shares, compared with MEO Shareholders who have accepted the Mosman Offer, however the consideration will be cash, as set out in section 4.14(b) of this Target's Statement.

(c) **Implications if Mosman does not become entitled to compulsorily acquire MEO Shares**

If the Conditions are satisfied or waived, there may be a number of important implications for MEO Shareholders who do not accept the Mosman Offer, such as:

- (i) in the event the 90% Minimum Acceptance Condition is waived, CGT rollover relief may not be available if Mosman acquires less than 80% of the MEO Shares under the Mosman Offer. A general overview of certain Australian tax implications of accepting the Mosman Offer for Australian resident MEO Shareholders is set out in section 9.9 of this Target's Statement and section 7 of the Replacement Bidder's Statement;
- (ii) liquidity in MEO Shares may be significantly reduced and the price of MEO Shares may fluctuate;
- (iii) Mosman may be in a position to cast the majority of votes at a general meeting of MEO, which would enable Mosman to control the composition of the Board, determine MEO's dividend and capital management policies and control the strategic direction of the business of MEO. Additionally, if Mosman acquires more than 75% of MEO Shares, it will be in a position to cast the votes required for a special resolution at a meeting of MEO Shareholders. This would enable it to pass resolutions, for example, to amend MEO's constitution;
- (iv) Mosman's intention is to maintain MEO's listing on the official list of the ASX, while it continues to meet its ASX listing requirements; and
- (v) there may be a reduced likelihood of a subsequent takeover bid for MEO.

Please refer to section 6.5 of the Replacement Bidder's Statement for details if Mosman acquires less than 90% but more than 50% of MEO Shares.

### 3 Frequently asked questions

This section of the Target's Statement is designed to help you understand some of the issues relating to the Mosman Offer.

Question	Answer	Further information
Why have I received this document?	<p>You have received this Target's Statement because you are a shareholder or option holder in MEO. This Target's Statement is MEO's formal response to the Mosman Offer. It contains important information prepared by your MEO Directors to help you determine whether to accept or reject the Mosman Offer.</p> <p>The MEO Directors recommend that you <b>REJECT</b> the Mosman Offer.</p> <p>MEO Shareholders will not receive the Offer Consideration any sooner by accepting the Mosman Offer early and rather than later in the Offer Period, and in any event, will not receive the Offer Consideration until each of the Conditions have been satisfied or waived.</p> <p>MEO currently is in discussions with third parties concerning potential proposals. However, as at the date of this Target's Statement, the MEO Directors are not aware of any intention by anyone to make a superior proposal, and there is no guarantee of a superior proposal at any future time.</p>	
What is the Replacement Bidder's Statement?	The Replacement Bidder's Statement is the document setting out the terms of the Mosman Offer. MEO Shareholders should have already received a copy of the Replacement Bidder's Statement in the mail.	
What is the Target's Statement?	This Target's Statement has been prepared by MEO and provides MEO's response to the Mosman Offer, including the recommendation of the MEO Directors that you <b>REJECT</b> the Mosman Offer.	
What am I being offered under the Mosman Offer?	Mosman is offering one Mosman Share for every ten of your MEO Shares.	<b>Sections 1.3 and 4.2 of this Target's Statement</b>
Who is offering to purchase my MEO Shares?	Mosman Oil and Gas Limited (ABN 90 150 287 111), a company incorporated in Australia and listed on AIM under the AIM code 'MSMN'. Mosman is an Australia and New Zealand focused oil exploration and development company. Please refer to section 2 of the Replacement Bidder's Statement and section 7 of this Target's Statement for further details.	<b>Section 2 of the Replacement Bidder's Statement and section 7 of this Target's Statement</b>

Question	Answer	Further information
Is there an independent expert's report?	No – no such report is required.	
What are the MEO Directors recommending?	<p>The MEO Directors recommend that you <b>REJECT</b> the Mosman Offer because:</p> <ul style="list-style-type: none"> <li>• Mosman has limited cash and its ability to continue as a going concern is uncertain;</li> <li>• when announced, the revised Mosman Offer represented a discount of approximately 18.8% to the MEO Share closing price and the Mosman Share price has since been volatile;</li> <li>• Mosman may issue up to 21.1 million more Mosman Shares before 30 September 2015, diluting shareholders to an unknown extent; and</li> <li>• The Mosman Offer is highly conditional, opportunistic and uncertain.</li> </ul> <p>You should take your own personal circumstances into account in deciding whether or not to accept Mosman's Offer.</p> <p>MEO Shareholders should note that they will not receive the Offer Consideration any sooner by accepting the Mosman Offer early and, in any event, will not receive the Offer Consideration until each of the Conditions have been satisfied or waived.</p> <p>Unless the Mosman Offer is extended or withdrawn, it is open for acceptance until 5.00pm (WST) on 24 March 2015.</p> <p>If you accept the Mosman Offer, <b>you will be prevented from participating in a superior proposal, should one eventuate</b>, unless the limited circumstances for withdrawal apply.</p> <p>MEO currently is in discussions with third parties concerning potential proposals. However, as at the date of this Target's Statement, the MEO Directors are not aware of any intention by anyone to make a superior proposal, and there is no guarantee of a superior proposal at any future time.</p>	<b>Sections 2.1 and 2.3 of this Target's Statement</b>
What choices do I have as a MEO Shareholder?	<p>As a MEO Shareholder you have the following choices:</p> <ul style="list-style-type: none"> <li>• accept the Mosman Offer for all of your MEO Shares. As discussed below, each MEO Director recommends that you <b>REJECT</b> the Mosman Offer. The MEO Directors intend to <b>REJECT</b> the Mosman Offer for the MEO</li> </ul>	<b>Sections 2.1, 2.2, 2.3, 2.4, 4.9 and 5 of this Target's Statement</b>

Question	Answer	Further information
	<p>Shares that they control;</p> <ul style="list-style-type: none"> <li>• <b>REJECT</b> the Mosman Offer by doing nothing; or</li> <li>• sell your MEO Shares on market (unless you have already accepted the Mosman Offer and have not validly withdrawn your acceptance).</li> </ul> <p>There are implications for you in relation to each of these choices. You are encouraged to read the Replacement Bidder's Statement and this Target's Statement in full and to consider the Mosman Offer having regard to your own personal circumstances.</p>	
<p>What choices do I have as a MEO Option Holder?</p>	<p>The Mosman Offer does not extend to the MEO Options. However, the Mosman Offer extends to all MEO Shares that are issued prior to the end of the Offer Period as a result of the exercise of MEO Options.</p> <p>Holders of MEO Options should note that in section 6.4 of the Replacement Bidder's Statement Mosman states that if Mosman and its associates acquire a Relevant Interest in 90% or more of the MEO Shares on issue, Mosman intends to give notice to MEO Option Holders offering to acquire their MEO Options in accordance with Part 6A.1 of the Corporations Act.</p>	<p><b>Section 6.6 of this Target's Statement and 6.4 of the Replacement Bidder's Statement</b></p>
<p>What do the MEO Directors intend to do with their MEO Shares?</p>	<p>The MEO Directors intend to <b>REJECT</b> the Mosman Offer in relation to the MEO Shares which they control.</p>	<p><b>Section 2.2 of this Target's Statement</b></p>
<p>When does the Mosman Offer close?</p>	<p>The Mosman Offer will close at 5.00pm (WST) on 24 March 2015 unless it is extended or withdrawn.</p>	<p><b>Sections 1.2 and 4.6 of this Target's Statement</b></p>
<p>How do I reject the Mosman Offer?</p>	<p>To reject the Mosman Offer, you do not need to do anything.</p> <p>If you intend on rejecting the Mosman Offer, do not respond to any telephone calls or correspondence received from Mosman.</p> <p>You should note, however, that if Mosman receives acceptances giving it a Relevant Interest in at least 90% (by number) of MEO Shares and acquires at least 75% (by number) of the MEO Shares that it offers to acquire under the Mosman Offer, it will be entitled to proceed to compulsory acquisition of MEO Shares held by MEO Shareholders who did not accept the Mosman Offer.</p>	<p><b>Sections 2.4, 4.14 and 5 of this Target's Statement</b></p>
<p>How do I accept the</p>	<p>Instructions on how to accept the Mosman Offer are set out in sections 10.5 and 10.6 of the</p>	<p><b>Section 5 of this Target's</b></p>

Question	Answer	Further information
Mosman Offer?	Replacement Bidder's Statement and on the Acceptance Form that accompanies the Replacement Bidder's Statement. If you want to accept the Mosman Offer, you should follow these instructions carefully to ensure that your acceptance is valid.	<b>Statement and section 10 of the Replacement Bidder's Statement</b>
What are the consequences of accepting the Mosman Offer now? What happens if I accept the Mosman Offer and a superior proposal is made?	<p>If you accept the Mosman Offer while it is conditional, you will give up your right to sell your MEO Shares on market or otherwise deal with your MEO Shares (including forfeiting the opportunity to benefit from any superior proposal for your MEO Shares should one emerge), while the Mosman Offer remains open, unless Mosman extends its Offer Period by more than one month while the Mosman Offer remains conditional and in which case you may withdraw your acceptance.</p> <p>Mosman is offering one Mosman Share for every ten of your MEO Shares.</p>	<b>Section 4.9 of this Target's Statement</b>
If I accept the Mosman Offer, can I withdraw my acceptance at any time?	<p>You will not be permitted to withdraw your acceptance unless the Offer Period is extended by more than one month (and then only if the Mosman Offer has not become unconditional). In these circumstances, you will have a period of one month after the date that the Mosman Offer is extended to withdraw your acceptance. These statutory withdrawal rights will terminate upon the expiry of that one month period. If the Offer Period is further extended, you may receive further statutory withdrawal rights.</p> <p>If you accept the Mosman Offer after all of the Conditions have been satisfied or waived, you will not be able to withdraw your acceptance.</p>	<b>Section 4.10 of this Target's Statement</b>
Can I be forced to sell my MEO Shares?	You cannot be forced to sell your MEO Shares unless Mosman receives acceptances from MEO Shareholders giving it a Relevant Interest in at least 90% (by number) of MEO Shares and acquires at least 75% (by number) of the MEO Shares that it offers to acquire under the Mosman Offer. In such circumstances, Mosman will be entitled to proceed to compulsory acquisition of MEO Shares held by MEO Shareholders who did not accept the Mosman Offer and, in which case, you will receive the same Offer Consideration for your MEO Shares that you would have received under the Mosman Offer.	<b>Section 4.14 of this Target's Statement</b>
Can Mosman withdraw the Mosman Offer?	Mosman may only withdraw its offer with the written consent of ASIC and subject to the conditions (if any) specified in such consent.	<b>Sections 1.2 and 4.7 of this Target's Statement</b>
What happens if Mosman increases the Mosman Offer?	If you accept the Mosman Offer now and Mosman subsequently raises the Offer Consideration under the Mosman Offer, you will receive the higher price	<b>Section 4.12 of this Target's</b>

Question	Answer	Further information
	if the Mosman Offer becomes unconditional.	<b>Statement</b>
Can I accept the Mosman Offer for only some of my MEO Shares?	Not unless you hold MEO Shares as trustee or nominee for or otherwise on account of, another person. See section 10.5 of the Replacement Bidder's Statement for more information about accepting the Mosman Offer.	<b>Section 10.5 of the Replacement Bidder's Statement</b>
What if I want to sell my MEO Shares on market?	<p>During the Offer Period, you may sell your MEO Shares on market for cash (less brokerage), provided you have not accepted the Mosman Offer for those MEO Shares. If you accept the Mosman Offer, you will be precluded from selling your MEO Shares on market.</p> <p>You should contact your broker for information on how to sell your MEO Shares on ASX and your tax adviser to determine the tax implications of such a sale.</p>	<b>Section 2.3 of this Target's Statement.</b>
What are the Conditions of the Mosman Offer?	<p>The Mosman Offer is subject to the Conditions set out in detail in section 4.4 of this Target's Statement.</p> <p>Please refer to section 10.11 of the Replacement Bidder's Statement for the full terms of the Conditions.</p>	<b>Sections 1.5 and 4.4 of this Target's Statement and section 10.11 of the Replacement Bidder's Statement</b>
What are the consequences of the Mosman Offer becoming unconditional?	If you accept the Mosman Offer after the Mosman Offer becomes unconditional or the Mosman Offer becomes unconditional after you have accepted, you will be entitled to receive the Offer Consideration.	<b>Section 4.4 this Target's Statement and section 1.4 and section 8.1 of the Replacement Bidder's Statement</b>
What happens if the Conditions of the Mosman Offer are not satisfied or waived?	<p>If any of the Conditions of the Mosman Offer are not satisfied or waived before the Mosman Offer closes (or in the case of the "no prescribed occurrences" Condition in section 10.11(k) of the Replacement Bidder's Statement, before the end of the third business day after the end of the Offer Period), the Mosman Offer will lapse. This means that:</p> <ul style="list-style-type: none"> <li>• if you have previously accepted the Mosman Offer, your acceptance is void and you will not be paid the Offer Consideration. Instead, you will continue to be a MEO Shareholder and you will be free to deal with your MEO Shares; or</li> <li>• if you have not previously accepted the Mosman Offer, you will continue to be a MEO Shareholder and will be free to deal with your MEO Shares.</li> </ul>	<b>Sections 4.4 and 4.13 of this Target's Statement and section 10.11 of the Replacement Bidder's Statement</b>

Question	Answer	Further information
<p>When will Mosman advise as to the status of the Conditions?</p>	<p>Section 10.16 of the Replacement Bidder's Statement indicates that Mosman will give a Notice of Status of Conditions on 17 March 2015. Mosman is required to set out within this notice:</p> <ul style="list-style-type: none"> <li>• whether the Mosman Offer is free of the Conditions;</li> <li>• whether, so far as Mosman knows, the Conditions have been fulfilled on the date the notice is given; and</li> <li>• Mosman's voting power in MEO.</li> </ul> <p>If the Offer Period is extended before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period and Mosman is required to give notice that states the new date for the giving of the Notice of Status of Conditions.</p> <p>If a Condition is fulfilled (so that the Mosman Offer becomes free of that Condition) before the date on which the Notice of Status of Conditions is required to be given, Mosman must, as soon as practicable, give the ASX and MEO a notice that states that the particular Condition has been fulfilled.</p>	<p><b>Section 4.5 of this Target's Statement and section 10.16 of the Replacement Bidder's Statement</b></p>
<p>When will I receive the Offer Consideration if I accept the Mosman Offer?</p>	<p>If you accept the Mosman Offer and each of the Conditions are satisfied or waived, Mosman will issue you the Offer Consideration for your MEO Shares on or before the earlier of:</p> <ul style="list-style-type: none"> <li>• one month after the date of your acceptance or, if this Offer is subject to a defeating condition when you accept this Offer, within one month after this Offer becomes unconditional; and</li> <li>• within 21 business days after the end of the Offer Period.</li> </ul> <p>Full details of when you will receive the Offer Consideration are set out in 10.9 of the Replacement Bidder's Statement.</p>	<p><b>Sections 1.4 and 4.11 of this Target's Statement and section 10.9 of the Replacement Bidder's Statement</b></p>
<p>What if I am a Foreign Shareholder?</p>	<p>If you accept the Mosman Offer and are a Foreign Shareholder, you will not be entitled to receive Mosman Shares as consideration for your MEO Shares held by you pursuant to the Mosman Offer.</p> <p>The Mosman Shares that Foreign Shareholders would otherwise have been issued will instead be issued to the Sale Nominee who will sell those Mosman Shares and remit the net proceeds of such sale to the Foreign Shareholder by cheque in Australian dollars.</p>	<p><b>Section 4.15 of this Target's Statement and section 9.12 and 10.10 of the Replacement Bidder's Statement</b></p>

Question	Answer	Further information
	Full details are set out in section 4.15 of this Target's Statement and sections 9.12 and 10.10 of the Replacement Bidder's Statement.	
What are the tax implications of accepting the Mosman Offer?	<p>A general outline of the tax implications of accepting the Mosman Offer for Australian resident MEO Shareholders is set out in section 9.9 of this Target's Statement and section 7 of the Replacement Bidder's Statement.</p> <p>As the outline in section 9.9 of this Target's Statement is a general guide only, MEO Shareholders are encouraged to seek their own specific professional advice as to the taxation implications applicable to their circumstances.</p>	<b>Section 9.9 of this Target's Statement and section 7 of the Replacement Bidder's Statement</b>
Can Mosman extend the Offer Period?	<p>While the Mosman Offer is subject to the Conditions, Mosman may extend the Offer Period:</p> <ul style="list-style-type: none"> <li>• at any time before giving the Notice of Status of Conditions; and</li> <li>• after giving the Notice of Status of Conditions in the circumstances described in section 650C(2) of the Corporations Act.</li> </ul> <p>However, if the Mosman Offer is unconditional (that is, the Conditions are satisfied or waived), Mosman may extend the Offer Period at any time before the end of the Offer Period.</p> <p>In addition, there will be an automatic extension of the Offer Period, if within the last 7 days of the Offer Period:</p> <ul style="list-style-type: none"> <li>• Mosman increases the consideration being offered under the Mosman Offer; or</li> <li>• Mosman's voting power in MEO increases to more than 50%.</li> </ul> <p>If either of these two events occurs, the Offer Period for the Mosman Offer is automatically extended so that it ends 14 days after the relevant event occurs.</p>	<b>Section 4.8 of this Target's Statement</b>
What are the risks associated with MEO and its business?	The risks associated with an investment in MEO are detailed in section 8.1 of this Target's Statement.	<b>Section 8.1 of this Target's Statement</b>
What are the risks associated with Mosman and its business?	These risks are explained in detail in section 8 of the Replacement Bidder's Statement. MEO Shareholders should read the Replacement Bidder's Statement carefully and consult their professional advisers before deciding whether to accept the Mosman Offer. By accepting the Mosman Offer, MEO Shareholders are, subject to the Conditions being satisfied or waived, investing in Mosman.	<b>Section 8 of the Replacement Bidder's Statement</b>

Question	Answer	Further information
What happens if I do nothing?	You will remain a MEO Shareholder unless Mosman compulsorily acquires your MEO Shares. Mosman has stated in section 6.4 of the Replacement Bidder's Statement that if the conditions for compulsory acquisition are satisfied, Mosman intends to proceed with compulsory acquisition.	<b>Section 6.4 of the Replacement Bidder's Statement and section 4.13 of this Target's Statement</b>
If I received Mosman Shares, how will I be able to trade them in the future?	<p>MEO Shareholders (other than Foreign Shareholders) who accept the Mosman Offer will, if the Conditions are satisfied or waived, receive Mosman Shares in a certificated form. Accepting MEO Shareholders will be issued a share certificate evidencing their holding of Mosman Shares.</p> <p>Unlike MEO, which is listed on ASX, Mosman is listed on AIM and subject to AIM Rules. As such, you will be exposed to the applicable securities laws, which will be different to those as a shareholder of a company listed on ASX.</p> <p>MEO Shareholders should be aware AIM is a market operated by the London Stock Exchange in a different jurisdiction and time zone to the ASX. Further, given that the focus of AIM is to provide a market for small to medium-sized companies, entities listed on AIM tend to cover a limited breadth and depth compared to those listed on ASX. This may in turn affect the liquidity of Mosman Shares.</p> <p>To be able to trade Mosman Shares on AIM, MEO Shareholders will need to convert their certificated Mosman Shares into "depository interests" to facilitate trading via CREST.</p> <p>CREST is a UK computerised paperless share transfer and settlement system which allows shares and other securities to be held in electronic rather than paper form and transferred otherwise than by written instrument. CREST is a voluntary system and those who wish to continue to hold their Mosman Shares in certificated form will be able to do so (although this will preclude the holder from being able to trade those Mosman Shares on AIM).</p> <p>Mosman has appointed its UK share registry, Computershare Investor Services plc, as its "depository" to hold and issue "depository interests" in respect of, and representing, on a one-for-one basis, Mosman Shares.</p> <p>The Mosman DIs will be independent securities and</p>	<b>Section 3.1 of the Replacement Bidder's Statement</b>

Question	Answer	Further information
	<p>will be held on a register maintained by the Depository.</p> <p>MEO Shareholders wishing to hold Mosman DIs in CREST will be required to wait until they have received their certificate for Mosman Shares and then engage the services of a stockbroker with a CREST position, to convert those certificated Mosman Shares to Mosman DIs.</p>	

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## 4 Details of the Mosman Offer

This section contains some more detailed information on the Mosman Offer and its Conditions.

### 4.1 Mosman Offer

On 11 December 2014, Mosman announced its proposal to acquire all of the fully paid ordinary shares in the capital of MEO by way of an off-market takeover bid.

Mosman lodged its Replacement Bidder's Statement with ASIC on 10 February 2015, and sent it to MEO Shareholders on or about 24 February 2015. The Replacement Bidder's Statement contains the full terms and Conditions of the Mosman Offer, together with other information material to your decision whether or not to accept the Mosman Offer.

### 4.2 Offer Consideration

Mosman is offering to acquire all of your MEO Shares. You may only accept the Mosman Offer in respect of all of the MEO Shares registered in your name at the date your Acceptance Form is processed.

Under the Mosman Offer, the Offer Consideration being offered by Mosman is one Mosman Share for every ten MEO Shares held.

The trading prices of Mosman Shares have shown significant volatility, trading in a range of 3.875 to 13.75 pence in the period since Mosman announced the terms of the revised Mosman Offer.<sup>10</sup>

The Mosman Offer **represents a discount of approximately 18.8% to the closing price of MEO Shares as at 19 January 2015, being the date Mosman announced the terms of the revised Mosman Offer**,<sup>11</sup> a premium of approximately 5.6% to the closing price of MEO Shares as at 9 February 2015, being the last trading day for MEO Shares prior to the date of the Replacement Bidder's Statement,<sup>12</sup> and a premium of approximately 18.5% to the closing price of MEO Shares as at 23 February 2015, being the last trading day for MEO Shares prior to the finalisation of this Target's Statement.<sup>13</sup> The Offer Consideration also ranges from representing a discount of 65% (using a 12 month VWAP) to a premium of 18.2% (using a 1 month VWAP).<sup>14</sup>

### 4.3 Intentions

Mosman's intentions for the business, assets and employees of MEO are set out in section 6 of the Replacement Bidder's Statement.

### 4.4 Conditions of the Mosman Offer

The Mosman Offer is subject to the Conditions set out in section 10.11 of the Replacement Bidder's Statement. The Conditions are as follows:

- (a) **Minimum acceptance:** At or before the end of the Offer Period, Mosman has a Relevant Interest in such number of MEO Shares which represents at least 90% of the aggregate of all MEO Shares on issue at the end of the Offer Period.

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<sup>10</sup> Based on the prices of Mosman Shares from and including 19 January 2015 to 23 February 2015. Source: IRESS.

<sup>11</sup> Based on the closing price of Mosman Shares of 7.5 pence per share, the closing price of MEO Shares of 1.7 cents per share and the Australian dollar British pound exchange rate of 0.5435. Source: IRESS.

<sup>12</sup> Based on the closing price of Mosman Shares of 8.125 pence per share, the closing price of MEO Shares of 1.5 cents per share and the Australian dollar British pound exchange rate of 0.5130.

<sup>13</sup> Based on the closing price of Mosman Shares of 8.375 pence per share, the closing price of MEO Shares of 1.4 cents per share and the Australian dollar British pound exchange rate of 0.5050. Source: IRESS.

<sup>14</sup> Based on the closing price of Mosman Shares of 8.375 pence per share, the closing price of MEO Shares of 1.4 cents per share and the Australian dollar British pound exchange rate of 0.5050 on 23 February 2015 and the VWAPs of MEO Shares up to and including 23 February 2015. Source: CHI-X and IRESS.

- (b) **Shareholder approval:** Before the end of the Offer Period, Mosman's shareholders approve, by ordinary resolution, the acquisition of the MEO Shares by Mosman under the Mosman Offer for the purposes of Rule 14 of the AIM Rules.
- (c) **Regulatory Approvals:** Before the end of the Offer Period, all approvals or consents that are required by any applicable law, by any Government Agency or by any other Third Party as are necessary to permit:

- (i) the Mosman Offer to be lawfully made to and accepted by MEO Shareholders;
- (ii) the transactions contemplated by the Replacement Bidder's Statement to be completed; and
- (iii) the MEO Group to be in material compliance with each of its contracts, permits, licences and other agreements,

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

- (d) **No Regulatory Actions:** Between the Announcement Date and the end of the Offer Period (each inclusive):
- (i) there is not in effect any preliminary or final decision, order or decree issued by any Government Agency;
  - (ii) no action or investigation is announced, commenced or threatened by any Government Agency; and
  - (iii) no application is made to any Government Agency (other than by Mosman or any associate of Mosman),

in consequence of or in connection with the Mosman Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impacts upon, the making of the Mosman Offer and the completion of any transaction contemplated by the Replacement Bidder's Statement or which requires the divestiture by Mosman of any MEO Shares or any material assets of any MEO Group Entity.

- (e) **Other Acquisitions or Mergers:** Between the Announcement Date and the end of the Offer Period (each inclusive), no person:
- (i) directly or indirectly acquires a Relevant Interest in 19.9% or more of the MEO Shares on issue (but not as a custodian, nominee or bare trustee);
  - (ii) acquires control of MEO (within the meaning of section 50AA of the Corporations Act); or
  - (iii) otherwise acquires or merges with MEO.
- (f) **Conduct of Business:** Between the Announcement Date and the end of the Offer Period (each inclusive):
- (i) no MEO Group Entity enters into any contract or commitment requiring payments by the MEO Group in excess of \$1,000,000 (individually or in aggregate) other than any payment required by law;
  - (ii) no MEO Group Entity incurs or commits to incur an amount of capital expenditure in excess of \$500,000 (individually or in aggregate) other than:

- (A) capital expenditure incurred on existing projects in which MEO has an interest as at the Announcement Date; or
  - (B) capital expenditure in the day to day operating activities of the business of MEO Group conducted in the same manner as before the Announcement Date;
  - (iii) no MEO Group Entity conducts its business other than in the ordinary course; and
  - (iv) MEO does not enter into or otherwise become a party to a transaction with a related party or related entity (as those terms are defined in the Corporations Act).
- (g) **No Material Adverse Change:** Between the Announcement Date and the end of the Offer Period (each inclusive) none of the following occurs:
- (i) an event, change, condition, matter or thing occurs or will or is reasonably likely to occur;
  - (ii) information is disclosed or announced by MEO concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur; or
  - (iii) information concerning any event, change, condition, matter or thing that has occurred or is reasonably likely to occur becomes known to Mosman (whether or not becoming public),
- (each a **Specified Event**) which, whether individually or when aggregated with all such events, changes, conditions, matters or things of a like kind that have occurred or are reasonably likely to occur, has had or would be considered reasonably likely to have:
- (iv) a material adverse effect on the business, assets, liabilities, financial or trading position, profitability or prospects of the MEO Group taken as a whole; or
  - (v) without limiting the generality of paragraph (g)(iv) above, the effect of a diminution in the value of the consolidated net assets of the MEO Group taken as a whole, by at least \$2,000,000 against what it would reasonably have been expected to have been but for such Specified Event;
- other than:
- (vi) an event, matter, change or circumstance caused, or materially contributed to, by Mosman;
  - (vii) anything required or permitted to be done or not done in respect to any transaction contemplated by the Proposal or otherwise required to be done in connection with the legal obligations in respect to the Mosman Offer; or
  - (viii) an event or matter which MEO fully and fairly disclosed in an announcement made to the ASX prior to the Announcement Date.
- (h) **Change in Control:** Between the Announcement Date and the end of the Offer Period (each inclusive), no person exercises or purports to exercise, states an intention to exercise, or has any rights (whether subject to conditions or not) under any provision of any agreement or other instrument to which any MEO Group Entity is a party, or by or to which any MEO Group Entity or any of their assets may be bound or subject, which could result, to any extent which is material in the context of the MEO Group taken as a whole, in:
- (i) any such agreement or other instrument being terminated, varied or modified or any action being taken or arising thereunder;

- (ii) the interest of any MEO Group Entity in any firm, joint venture, trust, corporation or other entity (or any arrangements in relation to such interest) being terminated, varied or modified; or
- (iii) the business of any MEO Group Entity with any other person being adversely affected,

as a result of the Mosman Offer or the acquisition of MEO Shares by Mosman.

- (i) **No Litigation:** Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against any MEO Group Entity which could reasonably be expected to give rise to a liability for the MEO Group in excess of \$1,000,000 is commenced, is threatened to be commenced, announced, or made known to Mosman (whether or not becoming public) or MEO, other than that which has been fully and fairly disclosed to the ASX by MEO prior to the Announcement Date.
- (j) **Dividend Distributions:** Between the Announcement Date and the end of the Offer Period (each inclusive), MEO does not announce, make, declare or pay any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie).
- (k) **No Prescribed Occurrences:** Between the Announcement Date and the end of the Offer Period (each inclusive), none of the following events occur:
  - (i) MEO converts all or any of MEO Shares into a larger or smaller number of MEO Shares;
  - (ii) any MEO Group Entity resolves to reduce its share capital in any way;
  - (iii) any MEO Group Entity enters into a buy-back agreement or resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
  - (iv) any MEO Group Entity issues shares or grants an option over any of its shares or agrees to make such an issue or grant such an option other than the issue of any shares in accordance with the exercise of MEO Options issued or granted prior to the Announcement Date;
  - (v) any MEO Group Entity issues, or agrees to issue, convertible notes;
  - (vi) any MEO Group Entity disposes or agrees to dispose, of the whole, or a substantial part, of its business or property;
  - (vii) any MEO Group Entity grants, or agrees to grant, a Security Interest in the whole, or a substantial part, of its business or property;
  - (viii) any MEO Group Entity resolves that it be wound up;
  - (ix) a liquidator or provisional liquidator of any MEO Group Entity is appointed;
  - (x) a court makes an order for the winding up of any MEO Group Entity;
  - (xi) an administrator of any MEO Group Entity is appointed under section 436A, 436B or 436C of the Corporations Act;
  - (xii) any MEO Group Entity executes a deed of company arrangement; or
  - (xiii) a receiver, or receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of any MEO Group Entity.

- (l) **Quotation of Mosman Shares:** Within seven days of the start of the Offer Period, Mosman makes an application for the Mosman Shares to be issued to MEO's shareholders pursuant to the Proposal to be admitted to trading on AIM and application is granted no later seven days after the end of the Offer Period.

Please refer to section 10.3 of the Replacement Bidder's Statement for further details.

If any Condition of the Mosman Offer is not satisfied or waived before the Mosman Offer closes, the Mosman Offer will lapse. This means that:

- (i) if you have previously accepted the Mosman Offer, your acceptance is void and you will not be paid the Offer Consideration. Instead, you will continue to be a MEO Shareholder and be free to deal with your MEO Shares; or
- (ii) if you have not previously accepted the Mosman Offer, you will continue to be a MEO Shareholder and will be free to deal with your MEO Shares.

MEO Shareholders who accept the Mosman Offer:

- (iii) will only receive the Offer Consideration for their MEO Shares after the Mosman Offer becomes unconditional; and
- (iv) cannot withdraw their acceptance while the Mosman Offer is conditional unless Mosman extends the Offer Period by more than one month.

#### **4.5 Notice of Status of Conditions**

Section 10.16 of the Replacement Bidder's Statement indicates that Mosman will give a Notice of Status of Conditions on 17 March 2015. Mosman is required to set out within this notice:

- (i) whether the Mosman Offer is free of the Conditions;
- (ii) whether, so far as Mosman knows, the Conditions have been fulfilled on the date the notice is given; and
- (iii) Mosman's voting power in MEO.

If the Offer Period is extended before the time by which the Notice of Status of Conditions is to be given, the date for giving the Notice of Status of Conditions will be taken to be postponed for the same period and Mosman is required to give notice that states the new date for the giving of the Notice of Status of Conditions.

If a Condition is fulfilled (so that the Mosman Offer becomes free of that Condition) before the date on which the Notice of Status of Conditions is required to be given, Mosman must, as soon as practicable, give the ASX and MEO a notice that states that the particular Condition has been fulfilled.

#### **4.6 Offer Period**

Unless the Mosman Offer is extended or withdrawn, it is open for acceptance from 24 February 2015 until 5.00pm (WST) on 24 March 2015.

The circumstances in which Mosman may withdraw or extend the Mosman Offer are set out in sections 4.7 and 4.8 of this Target's Statement respectively.

#### **4.7 Withdrawal of Mosman Offer**

In accordance with section 652B of the Corporations Act, the Mosman Offer may only be withdrawn with the written consent of ASIC and subject to the conditions (if any) specified in such consent.

#### **4.8 Extension of Offer Period**

Mosman may extend the Offer Period in accordance with the Corporations Act.

While the Mosman Offer is subject to the Conditions, Mosman may extend the Offer Period:

- (i) at any time before giving the Notice of Status of Conditions; and
- (ii) after giving the Notice of Status of Conditions in the circumstances described in section 650C(2) of the Corporations Act.

However, if the Mosman Offer is unconditional (that is, the Conditions are satisfied or waived), Mosman may extend the Offer Period at any time before the end of the Offer Period.

In addition, there will be an automatic extension of the Offer Period, if within the last 7 days of the Offer Period:

- (iii) Mosman increases the Offer Consideration being offered under the Mosman Offer;  
or
- (iv) Mosman's voting power in MEO increases to more than 50%.

If either of these two events occurs, the Offer Period for the Mosman Offer is automatically extended so that it ends 14 days after the relevant event occurs.

#### **4.9 Effect of acceptance**

The effect of accepting the Mosman Offer is set out in section 10.8 of the Replacement Bidder's Statement.

MEO Shareholders should read these provisions in full to understand the effect that acceptance will have on the rights attaching to their MEO Shares and the representations and warranties which they give by accepting the Mosman Offer.

The Conditions in section 10.11 of the Replacement Bidder's Statement are conditions to performance of Mosman's obligations. Accordingly, MEO Shareholders who accept the Mosman Offer while the Mosman Offer is still subject to Conditions, will give up their right to sell their MEO Shares on the stock market or otherwise deal with their MEO Shares while the Mosman Offer remains open except in limited circumstances.

#### **4.10 Your ability to withdraw your acceptance**

You will only be permitted to withdraw your acceptance if Mosman extends the Mosman Offer while it remains subject to Conditions by more than one month.

#### **4.11 When you will receive the Offer Consideration if you accept the Mosman Offer**

Except as described in sections 1.4 and 9.12 of the Replacement Bidder's Statement, if you accept the Mosman Offer and each of the Conditions are satisfied or waived, Mosman will issue you the Offer Consideration on or before the earlier of:

- (i) one month after the date of your acceptance or, if the Mosman Offer is subject to a defeating condition when you accept the Mosman Offer, within one month after the Mosman Offer becomes unconditional; and
- (ii) within 21 business days after the end of the Offer Period.

Full details of when you will receive the Offer Consideration are set out in sections 10.9, 9.12 and 10.10 of the Replacement Bidder's Statement.

#### **4.12 Effect of any increase in Offer Consideration**

If Mosman improves the Offer Consideration under the Mosman Offer, all MEO Shareholders, whether or not they have accepted the Mosman Offer before that increase in the Offer Consideration, will be entitled to the benefit of that increase in Offer Consideration.

#### **4.13 Lapse of Mosman Offer**

The Mosman Offer will lapse if the Conditions are not waived or fulfilled by the end of the Offer Period. In these circumstances, all contracts resulting from acceptance of the Mosman Offer and all acceptances that have not resulted in binding contracts are void. In that situation, you will be free to deal with your MEO Shares as you see fit.

#### **4.14 Compulsory acquisition**

Mosman's intentions with respect to compulsory acquisition are set out in section 6.4 of the Replacement Bidder's Statement.

In summary, Mosman has indicated that if it becomes entitled to do so under the Corporations Act, Mosman intends to proceed with compulsory acquisition of any outstanding MEO Shares and MEO Options in accordance Part 6A.1 of the Corporations Act.

An overview of Mosman's rights to compulsorily acquire MEO Shares is set out below.

##### **(a) Post bid compulsorily acquisition**

Mosman will be entitled, under section 661A of the Corporations Act, to compulsorily acquire any MEO Shares in respect of which it has not received an acceptance of the Mosman Offer on the same terms as the Mosman Offer if, during or at the end of the Offer Period, Mosman (together with its Associates) has a Relevant Interest in at least 90% (by number) of the MEO Shares and Mosman and its Associates have acquired at least 75% (by number) of the MEO Shares that Mosman offered to acquire under the Mosman Offer.

If these thresholds are met, Mosman will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to MEO Shareholders who have not accepted the Mosman Offer. MEO Shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant MEO Shareholder to establish to the satisfaction of a Court that the consideration offered does not represent "fair value" for their MEO Shares.

MEO Shareholders should be aware that, if they do not accept the Mosman Offer prior to its expiry and their MEO Shares are compulsorily acquired, they will face a delay in receiving the consideration for their MEO Shares, compared with MEO Shareholders who have accepted the Mosman Offer, however the consideration will be cash.

##### **(b) General compulsory acquisition provisions**

Mosman will be entitled, under section 664A of the Corporations Act, to compulsorily acquire any outstanding MEO Shares and MEO Options if Mosman's voting power in MEO is at least 90% and Mosman (either in its own right or through related bodies corporate) acquires full beneficial interests in at least 90% (by value) of the aggregate of all MEO Shares and MEO Options and:

- (i) Mosman lodges a compulsory acquisition notice with ASIC within 6 months of achieving that 90% holding;
- (ii) Mosman proposes a cash sum for the compulsory acquisition of the MEO Shares and MEO Options; and

- (iii) obtains the report of an expert stating whether, in the expert's opinion, the terms proposed in the notice give fair value of the securities covered.

Mosman has not stated in the Replacement Bidder's Statement the cash sum that it would propose for any compulsory acquisition of the MEO Shares and MEO Options that is undertaken by Mosman under section 664A of the Corporations Act.

#### **4.15 Foreign Shareholders**

Foreign Shareholders will not be entitled to receive Mosman Shares as consideration for their MEO Shares pursuant to the Mosman Offer.

A MEO Shareholder is a Foreign Shareholder for the purposes of the Mosman Offer if their address as shown in the register of members of MEO is in a jurisdiction other than Australia or its external territories unless Mosman otherwise determines, after being satisfied that it is not unlawful, not unduly onerous and not unduly impractical to make the Mosman Offer to a MEO Shareholder in the relevant jurisdiction and to issue Mosman Shares to such a MEO Shareholder on acceptance of the Mosman Offer, and that it is lawful for the MEO Shareholder to accept the Mosman Offer in such circumstances in the relevant jurisdiction. Notwithstanding anything in the Replacement Bidder's Statement, Mosman is not under any obligation to spend any money, or undertake any action, in order to satisfy itself concerning any of these matters.

The Mosman Shares which would otherwise have been issued to Foreign Shareholders will instead be issued to the Sale Nominee who will sell these shares. The net proceeds of the sale of such Mosman Shares will then be remitted to the relevant Foreign Shareholders. See section 10.10 of the Replacement Bidder's Statement for further details.

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## 5 Your options as a MEO Shareholder

You should read this Target's Statement and the Replacement Bidder's Statement before making a decision on whether or not to accept the Mosman Offer.

In considering whether to accept the Mosman Offer, the MEO Directors encourage you to seek professional advice if you are unsure as to whether acceptance of the Mosman Offer is in your best interests, taking into account your individual circumstances.

The Replacement Bidder's Statement contains important information which MEO Shareholders are urged to read carefully. MEO Shareholders should note that MEO has not undertaken any investigations to verify the accuracy or completeness of the information contained in the Replacement Bidder's Statement. To the fullest extent permitted by law, each of those parties disclaims liability to any person who acts in reliance on that information.

MEO Shareholders who would like further information on MEO or its projects before making a decision about the Mosman Offer are encouraged to exercise their right under the Corporations Act to obtain from ASIC copies of all documents lodged by MEO with ASIC or the ASX. Alternatively, they can visit MEO's website at [www.meoaustralia.com.au](http://www.meoaustralia.com.au).

During the Offer Period, you have the following options:

### 1. **REJECT** the Mosman Offer

If you wish to retain your MEO Shares, you need to take no action in relation to the Mosman Offer. MEO Shareholders should note that if, during or at the end of the Offer Period, Mosman (together with its Associates) has a Relevant Interest in at least 90% (by number) of the MEO Shares and Mosman (and its Associates) have acquired at least 75% (by number) of the MEO Shares that Mosman offered to acquire under the Mosman Offer, it will be entitled to compulsorily acquire the MEO Shares that it does not already own.

### 2. **ACCEPT** the Mosman Offer

If you wish to accept the Mosman Offer, you should follow the instructions in the Replacement Bidder's Statement and the Acceptance Form.

To validly accept the Mosman Offer, Mosman must receive your acceptance before 5.00pm (WST) on 24 March 2015, unless the Offer Period is extended.

Subject to the Conditions of the Mosman Offer being satisfied or waived, you will receive one Mosman Share for every ten of your MEO Shares. Particular arrangements apply to Foreign Shareholders, as explained in section 4.15 of this Target's Statement and sections 9.12 and 10.10 of the Replacement Bidder's Statement.

You should be aware that once you accept the Mosman Offer, your acceptance cannot be withdrawn except in the limited circumstances in the Corporations Act. You should consider the timing of any acceptance of the Mosman Offer in light of the fact that **a superior proposal by another party may emerge, which you would be precluded from accepting if you had already accepted the Mosman Offer**. MEO currently is in discussions with third parties concerning potential proposals. However, as at the date of this Target's Statement, the MEO Directors are not aware of any intention by anyone to make a superior proposal, and there is no guarantee of a superior proposal at any future time.

You should be aware that the market price of MEO Shares may rise or fall after you have accepted the Mosman Offer.

MEO Shareholders should be aware that if they accept the Mosman Offer and the 90% Minimum Acceptance Condition is waived, CGT rollover relief may not be available if Mosman acquires less than 80% of the MEO Shares under the Mosman Offer. Please refer to section 9.9 of this Target's Statement for further information.

### 3. Sell your MEO Shares on the ASX

You can sell your MEO Shares on the ASX. The price you will receive will depend on the prevailing market price of MEO Shares at the time of the sale. You should be aware that the market price of MEO Shares may rise or fall during the Offer Period. You should also note that if you sell your MEO Shares on the ASX:

- (i) you are likely to pay brokerage on the sale (and GST on that brokerage);
- (ii) you would have a disposal event for CGT purposes and a capital gain or loss will need to be determined for tax purposes;
- (iii) you would not be eligible for CGT rollover relief (see section 9.9 of this Target's Statement);
- (iv) you will not benefit from any price increase which may be offered by Mosman or increase in the price of Mosman Shares. Please note that Mosman has given no indication that it intends to increase the Offer Consideration;
- (v) you will not be exposed to any price decrease of MEO Shares which may result;
- (vi) you will receive payment earlier than if you accept the Mosman Offer (typically 3 business days after the sale), as opposed to receiving Mosman Shares in accordance with the Mosman Offer which will be at a later time; and
- (vii) a sale on the ASX provides certainty, whereas a sale to Mosman by accepting the Mosman Offer will be subject to the Conditions being fulfilled, unless the Mosman Offer has already been declared unconditional.

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## 6 Information regarding MEO

This section includes more detailed information on MEO's business and outlook.

### 6.1 Overview of MEO

MEO is an independent oil and gas company focused on building an Australian and international exploration and production business to service growing Asian energy markets.

MEO is listed on the Australian Securities Exchange (ASX:MEO) and is headquartered in Melbourne, Australia. As at Monday 23 February 2015, being the last practicable trading day before this Target's Statement was finalised, MEO had 750,488,387 shares on issue and a market capitalisation of approximately \$10.5 million.

The MEO Group has assembled a portfolio of exploration, appraisal and development stage opportunities on the North West Shelf, the Ashmore Cartier and the Timor Sea regions in Australia and onshore New Zealand.

In the ordinary course of its business, the MEO Group has an active marketing program which seeks to secure joint venture partners for its exploration portfolio. The MEO Group is in preliminary discussions with third parties as part of this marketing program, however the outcome of these discussions is uncertain.

The MEO Group has an active new ventures program. The MEO Group seeks to acquire interests in permits by original application, farm-in, purchase or by acquisition of interest in other entities which carry on the business of exploration for, or development or production of, oil and gas. MEO Group Entities have pre-qualified as an operator in a number of jurisdictions.

The MEO Group is currently in uncertain or incomplete discussions with a number of parties regarding new venture opportunities. Approval by the relevant government is typically required in connection with any such transaction.

In addition, MEO Group Entities have (sometimes with a third party) submitted a number of outstanding bids for permits in a number of jurisdictions. The MEO Group has not yet received returning offers from the relevant governments in respect of these bids. Following the receipt of an offer in respect of a permit, the applicant(s) will typically have a period to accept or reject the offer. The MEO Group would consider the decision to accept or reject such an offer based on circumstances at the relevant time, including the funding requirements for work in respect of the relevant permit.

The Seruway PSC was relinquished by a MEO Group Entity on 8 December 2014. The MEO Group has submitted a joint study application with a third party for the Seruway Area with the relevant government department. If the application for the joint study is successful, the MEO Group will hold a 20% participating interest (including in any resulting PSC) and will be fully carried for the costs associated with the joint study, including any required bond. The MEO Group is awaiting the outcome of the joint study application, which is uncertain.

As a company listed on the ASX, MEO is subject to regular reporting and disclosure obligations. Further information on the MEO Group and its projects can be found on MEO's website or in the announcements and reports released by MEO to the ASX, which can be found on the ASX website.

## 6.2 MEO Directors

The MEO Directors as at the date of this Target's Statement are:

**Gregory A Short**  
**Non-Executive Chairman**

After a long international career in exploration, development and production management with ExxonMobil, Mr Short has now focused his broad experience on leadership of junior oil and gas companies. He brings valuable experience to MEO, from taking several start-up ventures from exploration through to development and production start-up. Mr Short became Chairman of MEO in October 2013 after five years as a Non-Executive Director. Mr Short is also a Non-Executive Director of Pryme Energy Limited (ASX:PYM), Po Valley Energy Limited (ASX:PVE) and Metgasco Limited (ASX:MEL).

**Peter Stickland**  
**Managing Director and Chief Executive Officer**

Mr Peter Stickland has over 25 years global experience in oil and gas exploration. Mr Stickland was CEO of Tap Oil Limited (ASX:TAP) from 2008 until late 2010, during which time he oversaw the evolution of the company into a South East Asia/Australia focused E&P Company and was directly involved in the Finucane, Zola and Talliganda fields. Prior to joining Tap Oil, Mr Stickland had a successful career with BHP Billiton including a range of technical and management roles and was directly involved in the discovery of the Buffalo, Pyrenees, Eskdale and Thebe fields. Mr Stickland is a member of the Board of Australian Petroleum Production and Exploration Association Limited (APPEA).

Mr Stickland has been the Exploration Manager of MEO since June 2013. Mr Stickland assumed the role of Chief Executive Officer effective from 19 December 2014 and was appointed as a MEO Director on 30 January 2015.

**Stephen W Hopley**  
**Non-Executive Director**

Mr Hopley retired from Macquarie Bank in 2003 after a 14-year career. In the last four years of his career, Mr Hopley acted as Division Director of the Financial Services Group with responsibility for Adviser Relationships and Distribution. Mr Hopley has served on a number of boards, foundations, committees and not-for-profit organisations. He is a past board member of the Education Foundation of Australia, the Lord Mayor's Charitable Fund and is a past Securities Industry Education Chair of Task Forces in relation to final subjects in the Graduate Diploma in Financial Planning. He devotes part of his time as a business coach and mentor to a number of early stage enterprises.

### 6.3 Overview of the MEO Group's assets

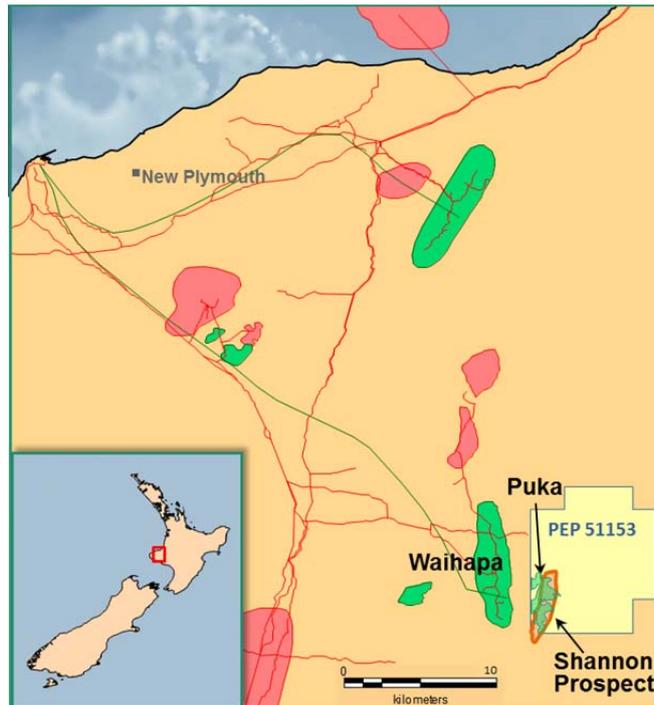
An overview of the MEO Group's assets is set out below.



MEO Group Assets				
Country	Location	Permit	MEO Group equity	Status
New Zealand	Onshore Taranaki	PEP 51153	30%	Production / appraisal / exploration
Australia	Bonaparte Gulf	WA-454-P	50%	Appraisal / exploration
Australia	Bonaparte Gulf	WA-488-P	100%	Exploration
Australia	Vulcan Sub-Basin	AC/P50, AC/P51, AC/P53	100%	Exploration
Australia	North West Shelf	WA-360-P, WA-361-P	62.5% / 50.0%	Exploration
Australia	Bonaparte Gulf	NT/P68	50% <sup>15</sup>	Appraisal
Australia	Tassie Shoal Projects	EPBC 2000/108 & 2003/1067	100%	Early pre-FEED (methanol)
Cuba	Onshore	Block 9 PSC	100%	Exploration. Execution and award of PSC is subject to final regulatory approval

<sup>15</sup> Registered interest – refer to section 6.3(f) of this Target's Statement for further information.

(a) **New Zealand — Onshore Taranaki (PEP 51153)**



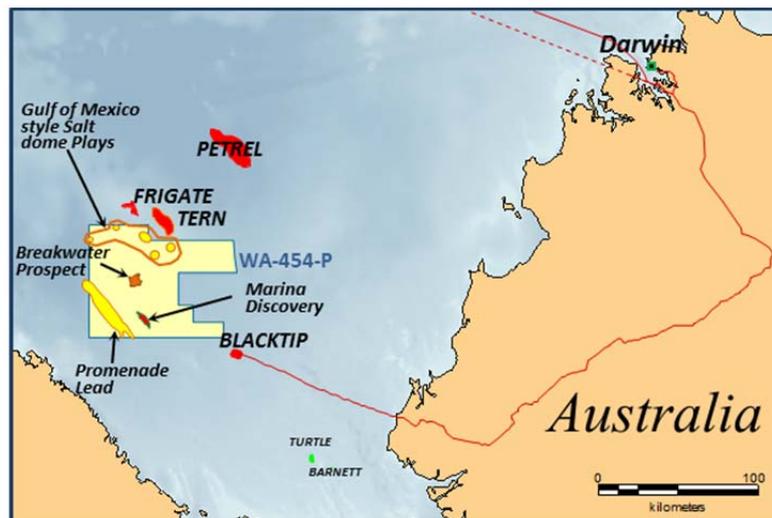
The MEO Group currently holds a 30% non-operating participating interest in PEP 51153. In April 2014, MEO announced a staged farm-in transaction with Kea Petroleum Plc (AIM:KEA) to PEP 51153 onshore New Zealand in the Taranaki Basin. The permit contains the Puka oil discovery in the Mount Messenger sands. The Puka-1 and Puka-2 exploration wells were producing oil under a long term production test from this formation at a gross rate of approximately 100 barrels per day (30 bopd net to the MEO Group), but were shut-in in January. A 3D seismic survey had been acquired over the Puka discovery after the drilling of the two exploration wells. Earlier exploration efforts had resulted in the drilling of Douglas-1, Wingrove-1 and Wingrove-2 to the north.

Stage 1 of the farm-in involved the MEO Group earning a 30% interest in the permit and the existing production by funding NZ\$4.0 million of an agreed NZ\$5.0 million work program including the drilling of Puka-3, workovers of the existing wells, installation of permanent production pipework and re-testing and abandonment of Douglas-1.

Puka-3 was drilled in mid-2014. While a thicker section of Mount Messenger sands was intersected, they were predominantly water bearing with an interpreted oil-water-contact (OWC) intersected substantially shallower than expected near the top of the interval. The result has downgraded the Mount Messenger play.

When drilled in 2012, Douglas-1 intersected approximately 15 metres of promising oil shows at the top of the deeper Tikorangi Limestone formation, which was heavily fractured in the lower half of the 145 metre interval intersected. On testing, this unit flowed substantial quantities of water. It is not known whether the top 15m of the formation contributed to the flow and as such, the fluid content remains uncertain. The MEO Group and KEA now intend to forego the Douglas-1 re-testing and focus on the exploration potential of the Shannon prospect, which is an extension of the deeper Tikorangi objective updip of Douglas-1 and is analogous to the nearby Waihapa oil field. The PEP 51153 joint venture partners have commenced a marketing campaign aimed at attracting an additional partner to the permit to fund the drilling of the Shannon prospect to establish whether the Tikorangi play can deliver a commercial discovery.

(b) **Australia—Bonaparte Gulf (WA-454-P)**

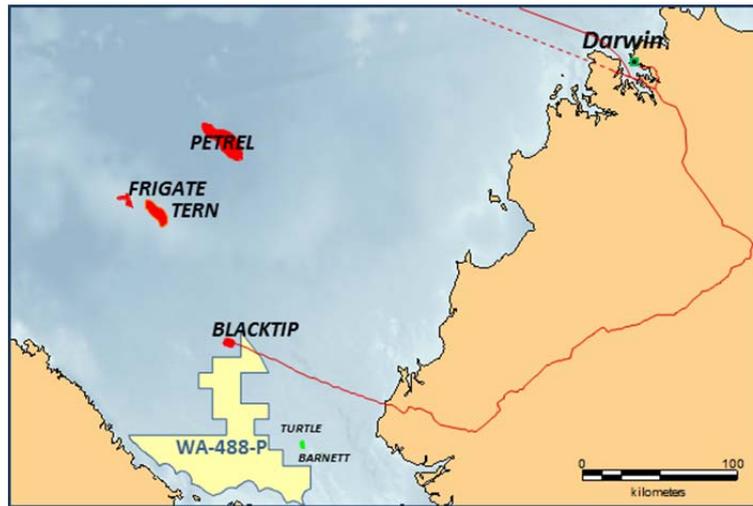


The MEO Group currently holds a 50% non-operating participating interest in WA-454-P. The MEO Group was awarded 100% interest in WA-454-P in June 2011 and acquired the Floyd 3D seismic survey in early 2012. The permit contains the 2007 Marina gas and probable oil discovery and a number of prospects and leads. A binding farm-out agreement was executed with Origin Energy Resources Limited (a subsidiary of Origin Energy Limited) in July 2013. Origin acquired a 50% interest in WA-454-P in return for reimbursing the MEO Group \$5.6 million of past costs and funding 80% of the Breakwater-1 well to a cap of \$35.0 million excluding production testing. The well cap assumes that 65% of the well costs will be denominated in US\$ with an exchange rate between the A\$ and US\$ of parity and will be adjusted for the exchange rate at the time of drilling.

A thorough review of the technical information has led to a location being proposed for Breakwater-1 as the nominated well to fulfil the commitment well for 'Permit Year 5', commencing June 2015.

The MEO Group has commenced a marketing campaign aimed at attracting an additional partner to the permit to fund the residual 20% cost of the well.

(c) **Australia—Bonaparte Gulf (WA-488-P)**



The MEO Group currently holds a 100%<sup>16</sup> participating interest in WA-488-P. The MEO Group was awarded WA-488-P in May 2013. The permit lies on trend with WA-454-P to the north-west and contains the Beehive prospect assessed by the technical team as being able to be readily upgraded to drillable status with minor seismic reprocessing. Beehive was identified as a follow-up to the 2011 Ungani-1 oil discovery in the adjacent Canning Basin and represents a new play type in the Bonaparte Basin.

Beehive is considered prospective for oil in two Palaeozoic aged carbonate objectives. The upper Carboniferous aged target is considered analogous to the giant Tengiz oil field in the Caspian Sea, while the lower Ordovician aged target has a giant field onshore China as a potential analogue. A well is currently required in 'Permit Year 3', commencing May 2015, however the MEO Group plans to seek a deferral of the well obligation from the regulator. A farm-out / partial sale process remains in progress.

The MEO Group has signed a binding option agreement whereby the MEO Group grants a third party ("Farminee") an option to acquire a 30% interest in WA-488-P.

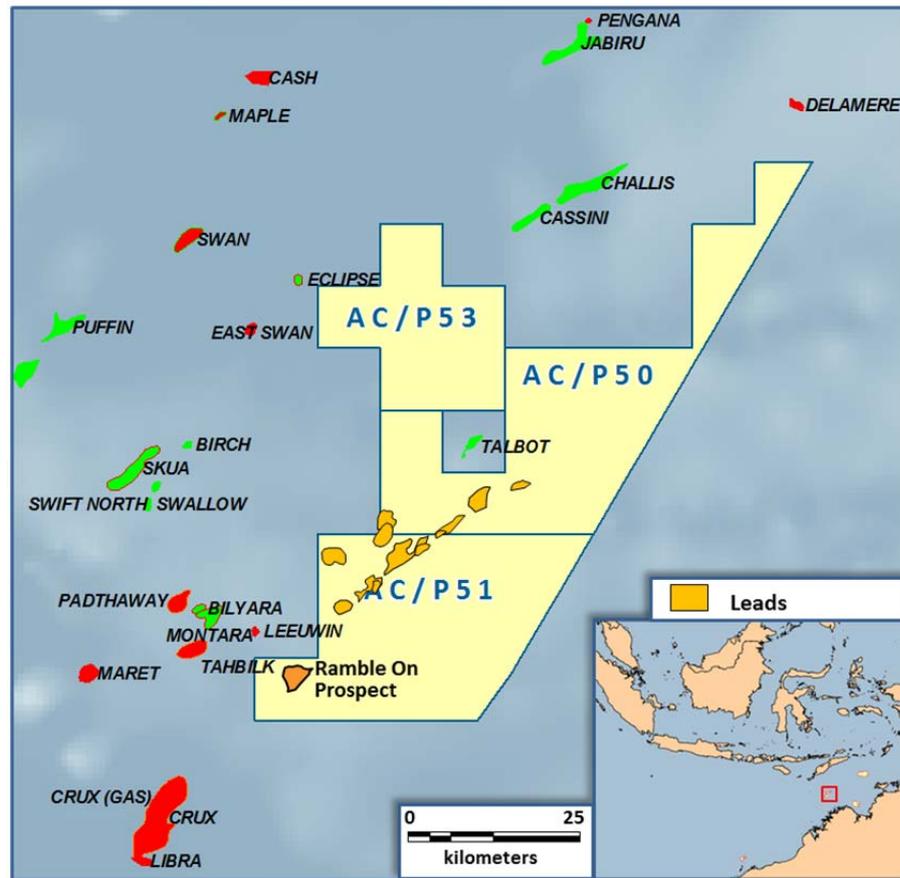
The option agreement provides an option to the Farminee to acquire a 30% interest in the permit and be obligated to fund 30% of the forward expenditure in the permit. In the absence of the MEO Group having a funding alternative, provisions are included for the Farminee to acquire an additional 10% equity in return for procuring full funding of a 3D seismic survey over the Beehive prospect and an additional 40% equity for procuring full funding of the proposed Beehive-1 well. If these provisions are utilised, the MEO Group will have a full carry through a Beehive-1 well for its residual 20% participating interest.

The option was exercised by the Farminee, subject to their Board approval, on 17 February 2015. The exercise of the option is subject to customary regulatory conditions.

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<sup>16</sup> The MEO Group has signed a binding option agreement whereby the MEO Group grants a third party an option to acquire a 30% interest in WA-488-P. The option was exercised by the third party, subject to their board approval, on 17 February 2015. The exercise of the option is subject to customary regulatory conditions.

(d) Australia—Vulcan Sub-Basin (AC/P50, AC/P51 and AC/P53)



The MEO Group currently holds a 100% participating interest in each of AC/P50, AC/P51 and AC/P53.

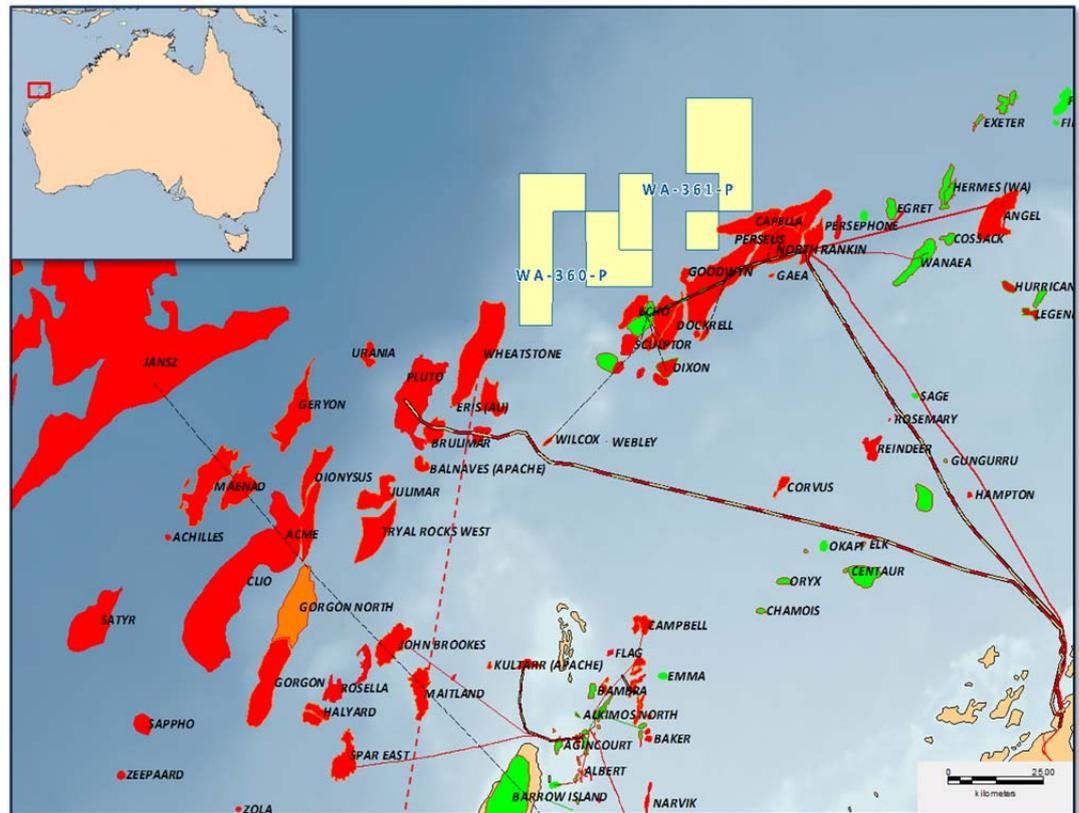
The MEO Group acquired AC/P50 and AC/P51 in late 2010 for US\$270,000 and acquired the Zeppelin 3D seismic survey covering a portion of both permits in early 2012.

Improvements in seismic acquisition parameters and processing streams resulted in a step change in seismic imaging quality, although this remains challenging. When the modern processing stream was applied to the vintage Onnia 3D seismic survey, an improvement in image quality was obtained and allowed the Ramble-On prospect to be identified in AC/P51, together with a number of low side fault-bend folds to be identified on the Zeppelin 3D survey.

The MEO Group has signed a binding option agreement whereby the MEO Group will grant a third party (“Farminee”) an option to acquire a 30% interest in each of AC/P50 and AC/P51. If an option is exercised, the Farminee shall be obligated to fund 30% of the future costs to be incurred in respect of AC/P50 and AC/P51 (as applicable). The exercise of the option is subject to customary regulatory conditions. The terms to the potential farm-in provide that if there is an unfavourable outcome from the permit renewal process the Farminee will be entitled to withdraw from either permit.

The AC/P53 permit was awarded to the MEO Group in early July 2011. The Zeppelin 2D seismic survey was acquired in early 2012 including a tie-line to the Zeppelin 3D. Interpretation of the survey continues to be undertaken.

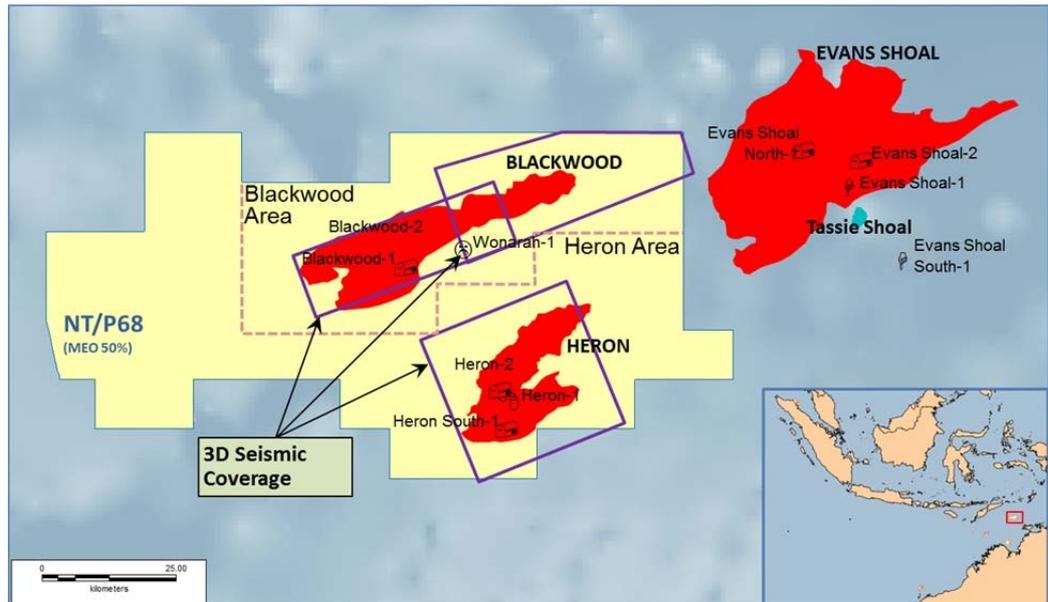
(e) Australia—North West Shelf (WA-360-P and WA-361-P)



The MEO Group currently holds a 62.5% participating interest and is Operator of WA-360-P. The MEO Group drilled the Artemis-1 exploration well in 2010 after securing Petrobras as a 50% participant to fund the well. The well encountered good quality reservoir rock but was water wet. After Petrobras withdrew in 2011, WA-360-P was renewed in early 2012 for a further five-year period. The joint venture licensed the available Foxhound multi-client 3D seismic data on permit to confirm the validity of the Maxwell prospect which targets an extension of the reservoir identified in Artemis-1. The adjoining WA-269-P Joint Venture drilled Ananke-1 during 2012, targeting the same play concept as the Maxwell prospect. Ananke-1 results became open file in August 2014. The well did not encounter the target sands or any hydrocarbons. The impact of these results remains under analysis. The MEO Group continues efforts to divest its interests in the permit.

The MEO Group currently holds a 50% participating interest and is Operator of WA-361-P. The MEO Group drilled the Zeus-1 well in 2009 after securing Resource Development International Ltd to partially fund the well. The well encountered good quality reservoir rock but was water wet. The WA-361-P permit was renewed for five years in early 2011. The joint venture licensed a significant portion of the Zeus multi-client 3D seismic survey acquired over the permit. A work program variation request to replace the Year 4 well with studies was granted during FY2014. The MEO Group continues efforts to divest its interests in the permit.

(f) **Australia—Bonaparte Basin (NT/P68)**



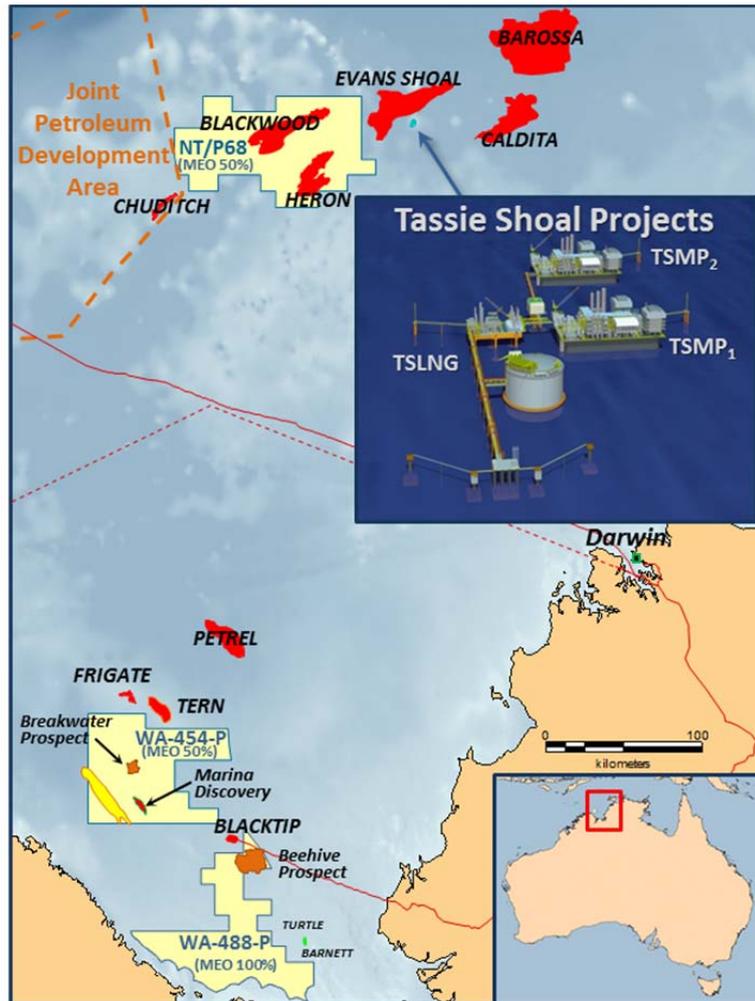
The MEO Group currently holds a registered 50% participating interest in NT/P68 which is operated by Eni Australia Limited (**Eni**). The permit has effectively been split into two areas, the Blackwood Area and the Heron Area, via commercial agreement between the parties.

In 2008, the MEO Group drilled Heron-2 on the Heron North structure. Despite significant drilling difficulties, the well was production tested and produced intermittent flow up to 6 MMscfd of high CO<sub>2</sub> gas. In 2012, Eni funded and drilled Heron South-1 on the Heron South structure. The well was interpreted to have encountered a significant gas column in tight reservoir but failed to produce gas at commercial rates on test. In October 2014, Eni elected not to drill an additional well on the Heron structure and to withdraw from the Heron Area of NT/P68. Consequently, the MEO Group will regain a 100% participating interest in the Heron Area, subject to commercial and regulatory processes.

Pursuant to a farm-in transaction in May 2011, Eni commenced drilling Blackwood-2 on 28 October 2013. A 60m core was cut through the target reservoir enroute to a total depth of 3,425mMDRT (metres measured depth below rotary table). Following wireline logging, Eni elected to undertake production testing to determine fluid composition and reservoir productivity. DST#1 was conducted over the interval 3,234m – 3,254mMDRT. No flow was recorded indicating low reservoir permeability. The well was subsequently plugged and abandoned with the rig released on 3 January 2014. Eni has elected not to increase its participating interest in the Blackwood Area under the farm-in agreement and the parties are in a process of negotiating certain amendments to the Blackwood Area agreements to define the basis of the joint venture's future activities on Blackwood.

On 9 February 2015 MEO announced that the MEO Group had elected to withdraw from the Blackwood gas discovery, transferring that area of NT/P68 to Eni. In consideration for the MEO Group agreeing to this withdrawal from the Blackwood discovery, Eni has agreed to take responsibility for, and bear all costs involved in the process of managing the future division of the permit to facilitate separate ownership of the Blackwood and Heron resources. In the event that regulatory approval to divide the permit on acceptable terms to Eni is not achieved, the entire permit will revert to the MEO Group.

(g) Australia—Tassie Shoal Projects (EPBC 2000/108 & 2003/1067)



The MEO Group has Commonwealth environmental approvals to construct, install and operate a single 3 Mtpa LNG plant known as the Timor Sea LNG Project and two stand-alone world-scale 1.75 Mtpa methanol plants collectively referred to as the Tassie Shoal Methanol Project on Tassie Shoal, an area of shallow water and benign metocean conditions in the Australian waters of the Timor Sea approximately 275km north-west of Darwin, Northern Territory. The Tassie Shoal projects can cater for a range of gas qualities and although potentially independent are designed to share infrastructure and logistic support systems and benefit from a number of production process synergies. In the case of the methanol projects, environmental approvals are valid until 2052, while the LNG project approvals are scheduled for review in 2017.

(i) Tassie Shoal Methanol Project

The MEO Group proposes the staged construction of two large natural gas reforming and methanol production plants, each with production capacity of 1.75 Mtpa on its own concrete gravity structure. Each plant is designed to be constructed in a single module in a low cost South East Asian location and towed to Tassie Shoal and grounded for operation using sea water as ballast. Each plant requires approximately 1.4 Tcf of raw gas, ideally containing around 25% CO<sub>2</sub> to operate for 20 years.

Adjacent third party resources, including at the Evans Shoal resource, appear to have sufficient gas to underpin both methanol plants for over 20 years. The MEO Group continues to work with prospective partners to secure gas for its proposed projects.

(ii) Timor Sea LNG Project

The Timor Sea LNG Project requires approximately 3 Tcf of low CO<sub>2</sub> (<4%) gas to operate for 20 years. Gas supply for the LNG plant could come from one or more of the neighbouring undeveloped gas fields confronting economic challenges imposed by long distances from land and high domestic construction costs. The LNG plant is designed to be constructed in a single module in a low cost South East Asian location and carried by heavy lift vessel to site, floated off and jacked up directly onto the sea floor, thereby avoiding FLNG complexities and cost. The LNG tank is designed to be constructed in a casting basin and wet towed to site, then ballasted directly onto the sea floor.

(h) Cuba - Block 9 PSC



The MEO Group qualified as an onshore and shallow water operator in Cuba in early 2013. The MEO Group has completed negotiations for a 100% participating interest in a PSC for Block 9 in the Republic of Cuba. Block 9 covers approximately 2,380km<sup>2</sup> of predominantly low lying farmland on the north coast of Cuba approximately 130km east of Havana. Detailed terms of the PSC have been agreed with the Commercial division of Cuba Petróleo Union and final PSC documents have been initialled by the parties. Official execution and award is subject to final regulatory approval.

The exploration phase of the PSC term is split into four sub-periods totalling eight and a half years with withdrawal options at the end of each sub-period. The negotiated work program includes a commitment to an initial 18 month exploration sub-period during which existing exploration data in the block will be evaluated and selected seismic reprocessed before the MEO Group elects whether to proceed with a subsequent 24 month exploration sub-period which includes acquisition of new 2D seismic. The MEO Group is not entitled to existing production from any field in Block 9.

The MEO Group pursued the opportunity for Block 9 with Petro Australis Limited, an unlisted Australian company. In the event that the MEO Group is awarded the PSC and Petro Australis Limited qualifies for participation in Cuba, Petro Australis Limited has an option to secure up to a 40% participating interest in Block 9 by reimbursing its share of costs incurred by the MEO Group.

## 6.4 Resources and Reserves

MEO does not currently have any booked Reserves. MEO's Contingent Resources as at 30 June 2014 are as follows:

MEO Corporate Contingent Resources Summary at 30th June 2014				MEO NET		
Permit/PSC	Feature	MEO WI %	Fluid	1C	2C	3C
NT/P68	Heron <i>Subject to reevaluation</i>	50.0%	Hydrocarbon Gas (Bscf)	23	56	597
			Condensate & Oil (MMstb)	-	1	1
			Barrels Equiv. (MMboe)	4	10	100
NT/P68	Blackwood <i>Subject to reevaluation</i>	50.0%	Hydrocarbon Gas (Bscf)	187	271	378
			Condensate & Oil (MMstb)	1	1	2
			Barrels Equiv. (MMboe)	32	46	65
WA-454-P	Marina	50.0%	Hydrocarbon Gas (Bscf)	57	82	211
			Condensate & Oil (MMstb)	1	6	24
			Barrels Equiv. (MMboe)	10	19	59
PEP51153	Puka <i>Subject to reevaluation</i>	30.0%	Hydrocarbon Gas (Bscf)	-	-	-
			Condensate & Oil (MMstb)	0	1	3
			Barrels Equiv. (MMboe)	0	1	3
<b>Aggregation</b>			Barrels Equiv. (MMboe)	<b>46</b>	<b>76</b>	<b>227</b>

## 6.5 Issued capital

As at 23 February 2015, being the last practicable date prior to the finalisation of this Target's Statement, MEO's issued capital consisted of:

- (i) 750,488,387 MEO Shares quoted on ASX; and
- (ii) 11,730,000 MEO Options.

## 6.6 MEO Options - treatment under the Mosman Offer

Each MEO Option entitles the holder to one MEO Share upon MEO receiving a properly executed notice of exercise and application monies. MEO will apply for official quotation of all MEO Shares issued and allotted pursuant to the exercise of the MEO Options. MEO Shares issued on exercise of MEO Options will rank equally in all respects with other MEO Shares on issue.

MEO operates a Long Term Incentive Plan pursuant to which the Board has granted MEO Options to employees. The MEO Options have been granted on various terms and conditions. Subject to certain exceptions (each requiring Board approval), a MEO Option may only be exercised after it has vested and any other conditions imposed by the Board on exercise have been satisfied.

As at 23 February 2015, the last practicable date prior to the finalisation of this Target's Statement, there were 11,730,000 MEO Options on issue in the tranches set out below:

Number of unlisted MEO Options	Exercise Price	Expiry date
1,500,000	\$0.50	4 October 2015
2,700,000	\$0.50	27 October 2015
500,000	\$0.50	1 July 2016
1,200,000	\$0.50	3 October 2016
4,330,000	\$0.50	1 December 2016

Number of unlisted MEO Options	Exercise Price	Expiry date
1,500,000	\$0.50	3 April 2017

The Mosman Offer does not extend to MEO Options. However, the Mosman Offer extends to all MEO Shares that are issued prior to the end of the Offer Period due to the exercise of MEO Options.

Holders of MEO Options should also note that in section 9.13 of the Replacement Bidder's Statement Mosman states that it may elect to make private treaty offers to holders of MEO Options to acquire or cancel their options subject to the Mosman Offer becoming or being declared unconditional.

In section 6.4(d) of the Replacement Bidder's Statement, Mosman has stated that, if not all the MEO Options are exercised (or otherwise cancelled or acquired by Mosman pursuant to private treaty agreements or other arrangements), and Mosman is entitled to compulsorily acquire any outstanding MEO Shares, Mosman presently intends to seek to compulsorily acquire or cancel any outstanding MEO Options pursuant to Part 6A.1 of the Corporations Act.

## 6.7 Substantial MEO Shareholders

There is no person who, to the knowledge of the MEO Directors or officers, beneficially owned, directly or indirectly, or exercised control or direction, directly or indirectly, over MEO Shares carrying more than 5% of the voting rights attached to all of the MEO Shares as at 23 February 2015, being the last practicable date prior to the finalisation of this Target's Statement.

## 6.8 Financial information

The following selected financial information for MEO is extracted from the reviewed consolidated interim financial statements of MEO for the half years ended 31 December 2014 and 31 December 2013.

The MEO Group 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. As at 31 December 2014 the MEO Group had cash reserves of \$9.73 million. The cash reserves may not be sufficient to meet the MEO Group's planned exploration activities for the 12 months from the date of this report. To meet its funding requirements the MEO Group will rely on taking appropriate steps, including:

- (i) meeting its additional obligations by either farm-out or partial sale of the MEO Group's exploration interests;
- (ii) raising capital by one of a combination of the following: placement of shares, pro-rata issue to MEO Shareholders, the exercise of outstanding MEO Options, and/or further issue of MEO 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 MEO Group.

The interim financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business. No adjustments have been made relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the MEO Group not continue as a going concern, particularly the write-down of capitalised exploration expenditure should the exploration permits be ultimately surrendered or cancelled.

Having carefully assessed the potential uncertainties relating to the MEO Group's ability to effectively fund exploration activities and operating expenditures, the Directors believe that the MEO Group 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.

The MEO consolidated financial statements for the half year ended 31 December 2014 were reviewed by EY in accordance with Australian Auditing Standards and the review conclusion issued relating to those financial statements were unqualified with an emphasis of matter on going concern.

The following selected financial information for MEO has been prepared in accordance with the recognition and measurement requirements of Australian Accounting Standards (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB). Full compliance with Australian Accounting Standards results in compliance with International Financial Reporting Standards and interpretations issued by the International Accounting Standards Board. The financial information presented in the tables below does not represent complete financial statements and should therefore be read in conjunction with the financial statements for the respective periods, including the description of accounting policies contained in those financial statements and the notes to those financial statements. Where appropriate, adjustments have been made to headings and classifications of historical data to provide a consistent basis of presentation. Except as set out in section 6.8(d) of this Target's Statement, in the interval between the end of the half year to 31 December 2014 and the date of this Target's Statement, there has not arisen any item, transaction or event of a material and unusual nature that is likely, in the opinion of the MEO Directors, to significantly affect the operations of MEO, the results of those operations, or the state of affairs of MEO in future financial years, other than as disclosed in the 30 June 2014 full year financial statements or 31 December 2014 half year financial statements and subsequent filings on ASX.

MEO Shareholders may view complete copies of the audited annual consolidated financial statements of MEO for the financial year ended 30 June 2014 and the reviewed consolidated interim financial statements for the half year ended 31 December 2014 on the ASX website at [www.asx.com.au](http://www.asx.com.au) or the MEO website at [www.meoaustralia.com.au](http://www.meoaustralia.com.au).

Alternatively, MEO will give a copy of the financial report for the financial year ended 30 June 2014 and the half year ended 31 December 2014 free of charge to any MEO Shareholder who requests a copy.

(a) **MEO Consolidated Statement of Comprehensive Income**

	<b>31/12/2014</b>	<b>31/12/2013</b>
	<b>\$</b>	<b>\$</b>
Sales revenue	294,157	-
Interest income	115,054	167,768
	<hr/>	<hr/>
<b>Total income</b>	<b>409,211</b>	<b>167,768</b>
	<hr/>	<hr/>
Production costs	(258,631)	-
Net administration costs	(3,739,514)	(3,175,630)
Exploration expenditure written-off	(4,308,625)	(116,939,011)
Impairment on Available for Sale Financial Asset	-	(29,142)
Merger related costs	(653,899)	-
Merger break fee	400,000	-
Foreign exchange gains/(losses)	886,099	264,515
	<hr/>	<hr/>
<b>Loss before income tax</b>	<b>(7,265,359)</b>	<b>(119,711,500)</b>
Income tax expense	(19,562)	(66,518)
	<hr/>	<hr/>
<b>Net loss for the period</b>	<b>(7,284,921)</b>	<b>(119,778,018)</b>
	<hr/> <hr/>	<hr/> <hr/>
<b>Other comprehensive income</b>		
<i>Items that may be reclassified subsequently to profit or loss</i>		
Exchange differences on translation of foreign operations	(88,401)	227,804
	<hr/>	<hr/>
<b>Other comprehensive income for the period, net of tax</b>	<b>(88,401)</b>	<b>227,804</b>
	<hr/>	<hr/>
<b>Total comprehensive loss for the period</b>	<b>(7,373,322)</b>	<b>(119,550,214)</b>
	<hr/>	<hr/>
Basic loss per share (cents per share)	(0.97)	(19.10)
Diluted loss per share (cents per share)	(0.97)	(19.10)

(b) **MEO Consolidated Statement of Financial Position**

	<b>31/12/2014</b>	<b>30/06/2014</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	9,727,455	15,989,872
Other receivables	379,964	410,890
Investment in available for sale financial asset	410,509	-
<b>TOTAL CURRENT ASSETS</b>	<u>10,517,928</u>	<u>16,400,762</u>
<b>NON-CURRENT ASSETS</b>		
Property, plant and equipment	359,422	802,679
Intangible assets	129,020	274,234
Exploration and evaluation costs	10,645,479	11,330,618
<b>TOTAL NON-CURRENT ASSETS</b>	<u>11,133,921</u>	<u>12,407,531</u>
<b>TOTAL ASSETS</b>	<u><b>21,651,849</b></u>	<u><b>28,808,293</b></u>
<b>CURRENT LIABILITIES</b>		
Trade and other payables	1,902,083	1,528,895
Provisions	245,258	241,059
<b>TOTAL CURRENT LIABILITIES</b>	<u>2,147,341</u>	<u>1,769,954</u>
<b>NON-CURRENT LIABILITIES</b>		
Provisions	121,811	309,882
<b>TOTAL NON-CURRENT LIABILITIES</b>	<u>121,811</u>	<u>309,882</u>
<b>TOTAL LIABILITIES</b>	<u><b>2,269,152</b></u>	<u><b>2,079,836</b></u>
<b>NET ASSETS</b>	<u><b>19,382,697</b></u>	<u><b>26,728,457</b></u>
<b>EQUITY</b>		
Contributed equity	262,386,746	262,367,184
Reserves	3,744,534	3,979,795
Accumulated losses	(246,748,583)	(239,618,522)
<b>TOTAL EQUITY</b>	<u><b>19,382,697</b></u>	<u><b>26,728,457</b></u>

## (c) MEO Consolidated Statement of Cash Flows

	31/12/2014	31/12/2013
	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Sales proceeds	197,759	-
Production costs	(176,324)	-
Payments to suppliers and employees	(2,767,304)	(3,148,874)
GST received on sale of 50% interest in WA-454-P	-	560,000
Cost recovery from joint venture partners	34,243	66,795
Merger costs	(71,157)	-
Merger break fee	400,000	-
Interest received	130,106	169,540
<b>Net cash (used in) operating activities</b>	<b>(2,252,677)</b>	<b>(2,352,539)</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Expenditure on property, plant and equipment	(16,899)	(7,995)
Expenditure on intangible assets	-	(24,160)
Expenditure on available for sale financial asset	(410,509)	(29,142)
Expenditure on exploration tenements	(4,468,431)	(1,512,182)
Proceeds from sale of 50% interest in WA-454-P	-	2,800,000
<b>Net cash from (used in) investing activities</b>	<b>(4,895,839)</b>	<b>1,226,521</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(7,148,516)</b>	<b>(1,126,018)</b>
<b>Cash and cash equivalents at beginning of period</b>	<b>15,989,872</b>	<b>16,602,849</b>
Net foreign exchange differences	886,099	264,515
<b>Cash and cash equivalents at end of period</b>	<b>9,727,455</b>	<b>15,741,346</b>

(d) **Update on MEO financial performance and financial position**

On 29 January 2015, MEO announced that it had implemented a range of cost cutting measures, with corporate overheads intended to be reduced by more than 60% compared to the 2014 financial year and be in the range of \$2.5 million per annum from March 2015.

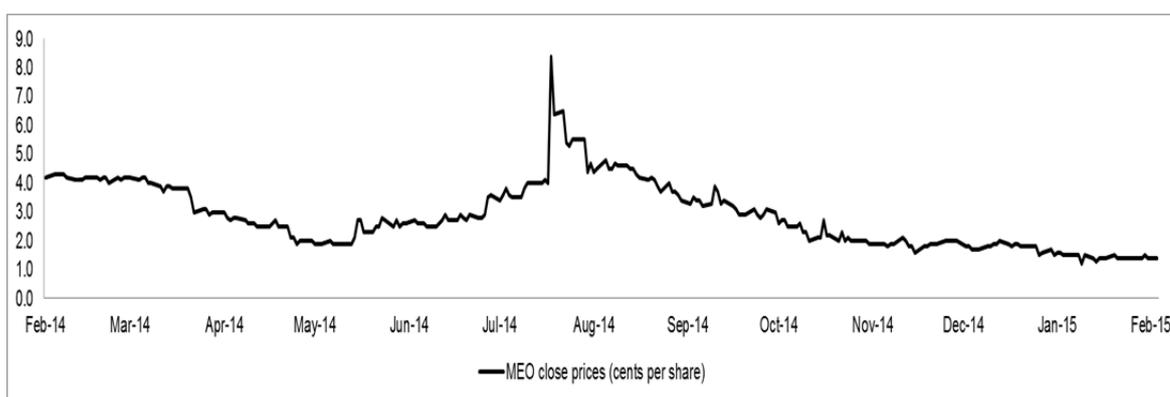
MEO expects that its Quarterly Activity Report for the quarter ending 31 March 2015 will be released to the ASX on or before 30 April 2015. A copy of the report will be available at [www.asx.com.au](http://www.asx.com.au) and [www.meoaustralia.com.au](http://www.meoaustralia.com.au).

So far as is known to the MEO Directors and other than as set out in this section 6.8(d), the financial position of MEO has not materially changed since the date of the consolidated financial statements for the half year ended 31 December 2014, other than a reduced cash position in the normal course of operating its business.

## 6.9 Recent share price performance information

Figure 2 below shows the trading prices of MEO Shares for the 12 month period up until the close of trading on 23 February 2015, being the last practicable trading day before this Target's Statement was finalised.

**Figure 2 – Price of MEO Shares**



Source: IRESS. As permitted by ASIC Class Order 07/429, this figure contains ASX share price trading information sourced from IRESS without its consent.

This graph shows that over the last year, the price performance of MEO Shares have generally trended above the price performance of Mosman Shares.

To provide further analysis of the market prices for MEO Shares, the weighted average market prices (**VWAP**) for the 1 month, 3 month, 6 month and 12 month periods to 23 February 2015, the last practicable trading day before this Target's Statement was finalised, are set out below.

MEO	1 month VWAP	3 month VWAP	6 month VWAP	12 month VWAP
Price (cents per share)	1.4	1.6	2.7	4.7

Source: IRESS. As permitted by ASIC Class Order 07/429, this figure contains ASX share price trading information sourced from IRESS without its consent.

## 6.10 Recent ASX announcements by MEO

The following table lists the announcements made to the ASX by MEO that may have affected share price movements over the period between release of the MEO's annual report on 17 September 2014 and 23 February 2015, being the last practicable trading day before this Target's Statement was finalised:

Date	Headline
19/02/2015	Half-Year Financial Report and Directors' Report 31 Dec 2014
18/02/2015	Option Agreement for farmin to MEO Permits
11/02/2015	Bidders Statement – Off-market bid
09/02/2015	NT/P68 Forward Plans
03/02/2015	Appendix 3X - Initial Directors Interest Notice
03/02/2015	Appendix 3Z - Final Director's Interest Notice
03/02/2015	MEO Securities as at 1st February 2015
02/02/2015	Off-market takeover bid for MEO Australia Ltd - Section 633
30/01/2015	Quarterly Activities Summary for Period Ended 31st Dec 2014
30/01/2015	Quarterly Cash Flow Summary for Period Ended 31st Dec 2014
30/01/2015	Becoming a substantial holder
29/01/2015	Chairman's letter to Shareholders
29/01/2015	MEO implements cost cutting measures
29/01/2015	Bidder's Statement
28/01/2015	Appointment of Managing Director
20/01/2015	Receipt of variation of proposal to make off market takeover
19/01/2015	Improved terms of proposal
15/01/2015	Puka Production Shut in
06/01/2015	Appendix 3Z
06/01/2015	Resignation of non-executive director Mr Michael Sweeney
24/12/2014	NEN: Reimbursement fee paid to MEO
24/12/2014	MEO receives \$400,000 Reimbursement Fee from Neon
22/12/2014	Neon Terminating Merger Implementation Agreement
22/12/2014	NEN: Revised proportional bid received for Neon
19/12/2014	MEO Scheme Booklet and Independent Experts Report
19/12/2014	Merger Transaction Update
18/12/2014	NEN: Company Update
15/12/2014	MEO Directors respond to Mosman Proposal
12/12/2014	MEO AUSTRALIA APPOINTS NEW CEO
12/12/2014	NEN: MEO takeover bid received from Mosman Oil & Gas
11/12/2014	Takeover Proposal for MEO Australia Limited
11/12/2014	Trading Halt
04/12/2014	MEO Completes Negotiations for Cuba Block 9 PSC

<b>Date</b>	<b>Headline</b>
02/12/2014	Lodgement of Scheme Booklet
01/12/2014	MEO Securities as at 1st December 2014
25/11/2014	Ceasing to be a substantial holder
17/11/2014	New Address for MEO Australia Limited
05/11/2014	NEN: Chairman's Sh'holder letter proposed Neon & MEO Merger
05/11/2014	MEO NEON Merger Investor Presentation
05/11/2014	MEO NEON Merger Announcement
05/11/2014	Amended Trading Halt Request
05/11/2014	Trading Halt
05/11/2014	MEO Securities Update as at 5 Nov 2014
03/11/2014	MEO Managing Director to Leave 31 January 2015
03/11/2014	Acting MEO Chairman
30/10/2014	Results of Annual General Meeting
30/10/2014	Annual General Meeting - Technical Supplement 2014
30/10/2014	MEO Annual General Meeting Presentation 2014
29/10/2014	NT/P68 Farmin Agreement Notices Received
23/10/2014	Quarterly Activities Summary For Period Ending 30th Sep 2014
23/10/2014	Quarterly Cash Flow Summary for Period Ended 30th Sept 2014
01/10/2014	Apache option agreement
26/09/2014	2014 Notice of Annual General Meeting & Proxy form
26/09/2014	2014 MEO Australia Limited Annual Report to shareholders
17/09/2014	2014 MEO Directors Report & Statutory Accounts

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## 7 Information regarding Mosman

### 7.1 Disclaimer

This overview of Mosman and financial information concerning Mosman contained in this Target's Statement has been prepared using public information. The information regarding Mosman in this Target's Statement has not been independently verified. MEO does not make any representation or warranty, express or implied, as to the accuracy or completeness of this information. The information is not considered to be comprehensive. You should refer to the Replacement Bidder's Statement and Mosman's AIM announcements for detailed information on Mosman.

### 7.2 Overview of Mosman

Mosman (AIM:MSMN) was incorporated in Australia on 6 April 2011 (with ABN 90 150 287 111) and listed on the AIM Market of the London Stock Exchange on 20 March 2014.

Unlike MEO, Mosman is not listed on the ASX. As at 10 February 2015, (being the date of the Replacement Bidder's Statement), Mosman had approximately 89 shareholders, either directly or via Mosman depository interests, and the top four shareholders collectively held approximately 92% of Mosman Shares on issue.

Mosman had a cash balance of approximately \$2 million and as at 23 February 2015, being the last practicable date prior to the finalisation of this Target's Statement, had a market capitalisation of approximately \$15.2 million.<sup>17</sup>

Mosman is an Australia and New Zealand focused oil exploration and development company.

As at 10 February 2015 (being the date of the Replacement Bidder's Statement), Mr Andrew Carroll, a Mosman Director had a Relevant Interest in 132,500 MEO Shares (representing a 0.017% Relevant Interest in MEO).

### 7.3 Overview of Mosman's assets

As at 10 February 2015 (being the date of the Replacement Bidder's Statement), Mosman had a total of 10 permits or permit interests in Australia and New Zealand as follows:

Permit	Mosman's interest	Status	Expiry date	Size (square KM)
<b>Australia</b>				
Officer Basin (STP-EPA-0071)	25%	Application	N/A	22,527
Otway Basin (VIC/P62)	30%	Exploration	10 July 2019	2,480
Amadeus Basin (EP145)	100%	Exploration	21 August 2019	818
Amadeus Basin (EP(A)155)	100%	Application	N/A	378

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<sup>17</sup> Based on an Australian dollar British pound exchange rate of 0.5050.

Permit	Mosman's interest	Status	Expiry date	Size (square KM)
<b>Australia</b>				
Amadeus Basin (EP156)	100%	Exploration	6 November 2017	4,164
Canning Basin (EP478)	17.5%	Exploration	31 January 2017	1,772
<b>New Zealand</b>				
Petroleum Creek (PEP 38526)	100%	Exploration	4 September 2017	143
Taramakau (PEP 57067)	100%	Exploration	31 March 2025	990
Murchison (PEP 57068)	100%	Exploration	31 March 2025	517
Piripiri (PEP 57058)	100%	Exploration	31 March 2025	667

#### 7.4 Mosman Board of Directors

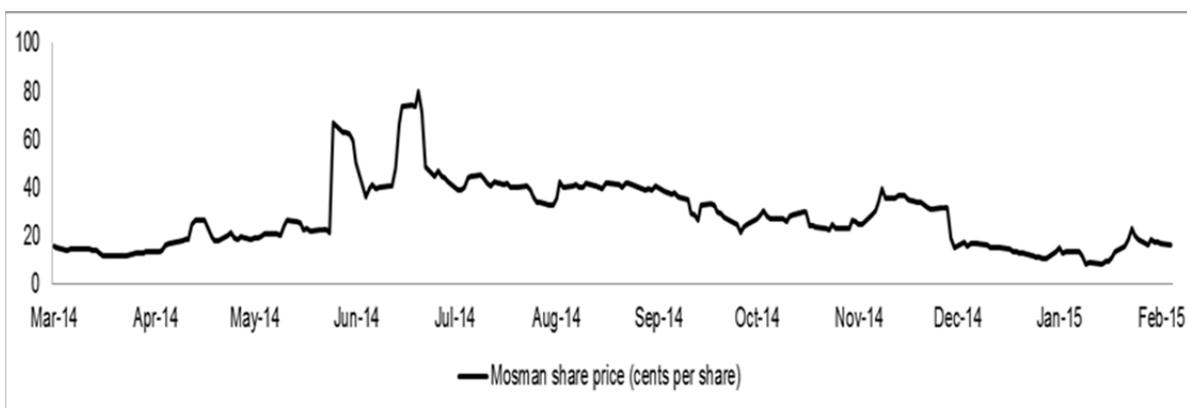
As at the date of this Target's Statement, the Mosman Directors are:

- (i) John W Barr – Executive Chairman;
- (ii) Andrew Carroll – Technical Director; and
- (iii) John Young – Non-Executive Director.

#### 7.5 Mosman share price

Figure 3 below shows the closing share prices of Mosman Shares for the period since listing on AIM on 20 March 2014 to close of trading on 23 February 2015, being the last practicable trading day before this Target's Statement was finalised.

**Figure 3 – Price of Mosman Shares**



*Note: The closing price of Mosman Shares has been converted from British pounds to Australian dollars using the closing exchange rate from IRESS on each day.*

*Source: IRESS. As permitted by ASIC Class Order 07/429, this figure contains ASX share price trading information sourced from IRESS without its consent.*

## 7.6 Information on Mosman Securities

Based on information available as at 23 February 2015, Mosman's issued securities consist of:

- (i) 91,804,308 Mosman Shares; and
- (ii) 10,059,973 Mosman Options.

Based on information available as at 23 February 2015, 35,878,927 Mosman Shares (39.08%) are restricted from trading as follows:

- (iii) 2,237,143 Mosman Shares are restricted from trading until 17 October 2015;
- (iv) 303,083 Mosman Shares are restricted from trading until 10 November 2015;
- (v) Aore Resources Limited has undertaken not to dispose of any interest in its 10,238,700 Mosman Shares for a period of 12 months from the admission of the Mosman Shares to trading on AIM (20 March 2014);
- (vi) 1,000,000 Mosman Shares issued to the directors of Trident on 14 January 2015 are restricted from trading until 14 January 2016;
- (vii) Mr John W Barr and Mr John Young, each a Mosman Director, have undertaken not to dispose of any of their interests in the Mosman Shares (11,250,001 Mosman Shares) for a period of 12 months from the admission of the Mosman Shares to trading on AIM (20 March 2014);
- (viii) 9,000,000 Mosman Shares, held by Mr Andrew Carroll, are restricted from trading until the earlier of the grant of the exploration permit application STP-EPA-0071 or two years from the date of their issue (15 January 2014). In any event, Mr Carroll has undertaken not to dispose of any interest in these Mosman Shares for a period of 18 months from the admission of the Mosman Shares to trading on AIM (20 March 2014); and
- (ix) Mr Carroll has undertaken not to dispose any interest in the 1,850,000 Mosman Shares held by companies associated with Mr Carroll for a period of 12 months from the admission of the Mosman Shares to trading on AIM (20 March 2014).

Thereafter, each Mosman Director has agreed not to dispose of any of his interest in Mosman Shares for a further period of 12 months without the prior written consent of Mosman, ZAI Corporate Finance Limited and SI Capital Limited. Refer to sections 3.5 and 9.8 of the Bidder's Statement for further details.

The Mosman Options comprise:

Number of unlisted Mosman Options	Exercise price	Expiry date
2,000,000	\$0.20	30 March 2016
3,800,000	\$0.58	28 November 2017
3,200,000	\$0.15	13 January 2019
859,372	£0.08	20 March 2019

## **7.7 AIM trading ability**

Unlike MEO, which is listed on ASX, Mosman is listed on AIM and subject to AIM Rules. As such, you will be exposed to the applicable securities laws, which will be different to those as a shareholder of a company listed on ASX.

MEO Shareholders should be aware AIM is a market operated by the London Stock Exchange in a different jurisdiction and time zone to the ASX. Further, given that the focus of AIM is to provide a market for small to medium-sized companies, entities listed on AIM tend to cover a limited breadth and depth compared to those listed on ASX. This may in turn affect the liquidity of Mosman Shares.

To be able to trade Mosman Shares on AIM, MEO Shareholders will need to convert their certificated Mosman Shares into "depository interests" to facilitate trading via CREST.

CREST is a UK computerised paperless share transfer and settlement system which allows shares and other securities to be held in electronic rather than paper form and transferred otherwise than by written instrument. CREST is a voluntary system and those who wish to continue to hold their Mosman Shares in certificated form will be able to do so (although this will preclude the holder from being able to trade those Mosman Shares on AIM).

Mosman has appointed its UK share registry, Computershare Investor Services plc, as its "depository" to hold and issue "depository interests" in respect of, and representing, on a one-for-one basis, Mosman Shares.

The Mosman DIs will be independent securities and will be held on a register maintained by the Depository.

MEO Shareholders wishing to hold Mosman DIs in CREST will be required to wait until they have received their certificate for Mosman Shares and then engage the services of a stockbroker with a CREST position, to convert those certificated Mosman Shares to Mosman DIs.

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## 8 Risk factors

### 8.1 Risks of an investment in MEO

In considering MEO and the Mosman Offer, MEO Shareholders should be aware of the risks relating to MEO, its business and assets. MEO's business activities are subject to a number of investment risk factors, both specific to its business activities and of a general nature, which may materially affect the future exploration and operating and financial performance of the MEO Group and the value of MEO Shares. Many of the risks are outside the control of MEO and the MEO Directors, and there can be no certainty that MEO's objectives or anticipated outcomes will be achieved.

Like any other investment in an exploration and development company, maintaining a holding in MEO is subject to certain risks. However, many of the risks outlined below apply equally to a shareholding in Mosman and the MEO Directors do not consider these risks to be any greater than the risks associated with becoming a holder of Mosman if you accept the Mosman Offer and each of the Conditions are satisfied or waived.

A summary of the key risks is set out below.

#### (a) Operating risks

##### (i) Drilling risk

Drilling operations are high-risk and subject to hazards normally encountered in exploration, development and production. 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 MEO Group's operations and its financial results should any of these hazards be encountered.

##### (ii) Exploration risk

Development of the MEO Group'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 the MEO Group'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 the MEO Group'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 the

MEO Group, 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 the MEO Group.

(iii) Development risk

The MEO Group'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 the MEO Group's investment in these projects.

Development projects to which the MEO Group 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.

(iv) Production risk

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 the MEO Group. 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.

The MEO Group's activities may be affected by numerous other factors beyond the MEO Group's control. Mechanical failure of the MEO Group's operating plant and equipment, and general unanticipated operational and technical difficulties, may adversely affect the MEO Group's operations.

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.

(v) 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 the MEO Group 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.

(vi) Commodity price risk

The current and future profitability of the MEO Group'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 the MEO Group'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 the MEO Group, including its ability to finance the development of its projects.

(vii) Country risk

The MEO Group operates in foreign jurisdictions including Cuba and New Zealand. As a result, the MEO Group is exposed to the political, economic and other risks and uncertainties associated with operating in such countries. These risks and uncertainties may be different for each country and 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 unrest and changes in diplomatic relations. These risks and uncertainties may be unpredictable and could adversely affect the value of the assets or future financial performance of the MEO Group.

(viii) Joint ventures

The MEO Group participates in several joint venture arrangements and may enter into further joint ventures. Although the MEO Group has sought, and will seek, to protect its interests, existing and future joint ventures necessarily involve special risks. Whether or not the MEO Group holds majority interests or maintains operational control in its joint ventures, its partners may:

- (A) have economic or business interests or goals that are inconsistent with, or opposed to, those of the MEO Group;
- (B) exercise veto rights to block actions that the MEO Group believes are in its or the joint venture's best interests;
- (C) take action contrary to the MEO Group's policies or objectives with respect to its investments; or
- (D) be unable or unwilling to fulfil their obligations under the joint venture or other agreements, such as contributing capital to expansion or maintenance projects.

Where projects and operations are controlled and managed by the MEO Group's partners, the MEO Group 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 the MEO Group's reputation thereby harming the MEO Group's other operations and access to new assets.

While the MEO Group 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 the MEO Group's expectations.

(ix) 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, the MEO Group may be unable to acquire rights to exploit additional attractive petroleum properties on terms it considers acceptable. Accordingly, there can be no assurance that the MEO Group will acquire any interest in additional operations that would yield Reserves or result in commercial petroleum operations.

(x) Dependence on key personnel

Retaining qualified personnel is critical to the MEO Group's success. The MEO Group may face risks from the loss of key personnel, as it may be difficult to secure and retain candidates with appropriate experience and expertise. The MEO Group intends to review and consider retention and recruitment strategies in relation to key personnel. Despite this, one or more of the MEO Group's key employees could leave their employment and this may adversely affect the MEO Group's ability to conduct its business and, accordingly, affect the profitability, financial position and performance and prospects of the MEO Group.

The MEO Group's success also depends on its ability to identify, attract, accommodate, motivate and retain additional suitably qualified personnel. The number of persons skilled in the acquisition, exploration, development and operation of petroleum properties is limited and competition for such persons is high. As the MEO Group's business activity grows, it may require additional personnel to meet its growing needs. If the MEO Group is unable to access and retain the services of a sufficient number of qualified personnel, this could be disruptive to the MEO Group's development and may materially adversely affect its profitability, financial position and performance and prospects.

(xi) Environmental Risk

Oil and gas exploration, development and production can be hazardous to the environment. If it is responsible for environmental damage, the MEO Group may incur substantial costs for environmental rehabilitation, damage control and losses by third parties resulting from its operations.

The MEO Group 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, the MEO Group could be subject to liability due to risks inherent in its activities, such as accidental spills, leakages or other unforeseen circumstances.

(xii) Health, safety and hazardous materials

Health and safety regulation affects the MEO Group'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 the MEO Group including legal claims and potential delays or stoppages.

(xiii) 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. The MEO Group currently has insurance in place which it believes is appropriate to its needs, having regard to what is available on economic terms in the insurance market. However, there is no guarantee that such insurance will be sufficient in all circumstances.

(xiv) Uninsurable risks

The MEO Group 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.

(xv) 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 the MEO Group 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.

(b) **Legal risks and regulatory risks**

(i) Permits and tenure

All licences and permits in which the MEO Group has interests are subject to renewal conditions or are yet to be granted, 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 the MEO Group being successful in obtaining required statutory approvals for proposed activities. 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.

(ii) Disputes and litigation

There are no material ongoing disputes or litigation known to the MEO Group as at the date of this Target's Statement, 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 the MEO Group.

(iii) Industrial action

The MEO Group 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 the MEO Group'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.

(iv) Compensation

The MEO Group may incur costs and liabilities resulting from claims for damages to property or injury to persons arising from the MEO Group's operations. The MEO Group must compensate employees for work-related injuries. If the MEO Group 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, the MEO Group's business, financial condition and results of operations could be adversely affected.

(v) Contractual arrangements

The MEO Group 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 the MEO Group and there can be no assurance that it would be successful in enforcing any of its contractual rights through legal action.

(vi) Tax risk

The Company will be subject to taxation and other imposts in Australia and other jurisdictions in which the MEO Group 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 the MEO Group'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.

(vii) 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 the MEO Group's operations or financial performance. Increased regulation of greenhouse gas emissions could adversely affect the MEO Group's costs of operations. Regulatory change by governments in response to greenhouse gas emissions may represent increased costs to the MEO Group impacting profitability. Increasing regulation of greenhouse gas emissions, including the progressive introduction of a carbon tax in any jurisdiction in which the MEO Group operates is likely to raise energy costs and costs of production over the next decade. Regulation of greenhouse gas emissions in the jurisdictions of the MEO Group's customers could also have an adverse effect on the cost of the MEO Group's production.

(c) **General Risks**

(i) Share market conditions

There are general risks associated with any equity market investments. The trading price of shares in MEO may fluctuate with movements in equity capital markets in Australia and internationally. This may result in the market price for MEO Shares declining. Generally applicable factors which may affect the market price of shares include:

- (A) general movements in Australian and international stock markets;
- (B) investor sentiment;
- (C) Australian and international economic conditions and outlook;
- (D) changes in interest rates and the rate of inflation;
- (E) changes in government regulation and policies;
- (F) material announcements in respect of an entity's business or operations; and
- (G) geo-political instability, including international hostilities and acts of terrorism.

No assurances can be given as to the price that the shares of MEO will trade.

(ii) Changes in economic climate

Economic conditions, both domestic and global, may affect the performance of the MEO Group. Adverse changes in macroeconomic conditions, including global and country-specific growth rates, the cost and availability of credit, the rate of inflation, interest rates, exchange rates, government policy and regulations, general consumption and consumer spending, input costs, employment rates and industrial disruptions, among others, are variables which while generally outside the control of the MEO Group and its directors, may result in material adverse impacts on the MEO Group's business, financial position and operating results.

(iii) Exchange rate risk

Some of the MEO Group's assets are located in foreign jurisdictions, with cash flows denominated in foreign currencies. Some of these currencies may be subject to exchange controls and may operate in relatively inefficient markets. The MEO Group may also source equipment, supplies and services from various foreign countries. The MEO Group is therefore subject to changes beyond its control due to fluctuations in currency exchange rates. The MEO Group does not currently engage in active hedging to minimise exchange rate risk.

(iv) Risks associated with future growth initiatives

Historically, the MEO Group has sought to grow both organically and through mergers and acquisitions. At any time, the MEO Group may be evaluating one or more potential new investments. In addition, from time to time the MEO Group may be presented with the potential to increase or decrease its investment in existing assets pursuant to the pre-emptive rights or change of control provisions in respect of the joint ventures to which they are parties. In addition, new investments may not necessarily take the form of investment in further oil and gas assets, but rather may involve diversification into complementary activities or potentially new areas of operation.

There are always risks that the benefits, synergies or efficiencies expected from such investments or growth opportunities may take longer than expected to be achieved or may not be achieved to the extent intended. Any investments pursued could, for a variety of reasons, have a material adverse effect on the value of the MEO Group.

(v) Equity dilution

The MEO Group is expected to have sufficient working capital to enable the company to achieve its planned initial business activities. However, the oil and gas industry is a capital intensive industry and there can be no assurances that such planned initial business activities will in fact be met without future borrowings or further capital raisings, and whether or not such funding will be on terms favourable to the MEO Group.

(d) **Other risks**

Additional risks and uncertainties not currently known to MEO may also have a material adverse effect on the MEO Group's business and the information set out above does not purport to be, nor should it be construed as representing, an exhaustive list of the risks affecting the MEO Group.

## 8.2 Risks of accepting the Mosman Offer

MEO Shareholders should be aware of the following implications and risks that arise from accepting the Mosman Offer (assuming that each of the Conditions are satisfied or waived):

(a) **Share price fluctuation**

MEO Shareholders are being offered specific quantities of Mosman Shares as consideration under the Mosman Offer. As Mosman is listed on AIM (a market operated by the London Stock Exchange), the value of the Offer Consideration will fluctuate depending on the market value of Mosman Shares and the relative exchange rate between British pounds and Australian dollars.

(b) **Inability to accept an alternative offer**

Except under limited circumstances provided in the Corporations Act, **MEO Shareholders who accept the Mosman Offer will not be able to accept an alternative offer, should any emerge.** MEO Shareholders may only withdraw their acceptances and accept an alternative offer if Mosman extends the Offer Period for more than one month and the Mosman Offer remains subject to any condition at that time (see sections 4.8, 4.9 and 4.10 for further information).

(c) **Availability of CGT rollover relief**

If the Mosman Offer becomes unconditional, and Mosman waives the 90% Minimum Acceptance Condition, CGT rollover relief may not be available if Mosman acquires less than 80% of the MEO Shares under the Mosman Offer. A general overview of certain Australian tax implication of accepting the Mosman Offer for Australian resident MEO Shareholders is set out in section 9.9 of this Target's Statement and section 7 of the Replacement Bidder's Statement.

(d) **Risks of investing in Mosman**

If the Mosman Offer becomes unconditional, MEO Shareholders who accept the Mosman Offer will become shareholders of Mosman. In those circumstances, MEO Shareholders will be exposed to the risks which are specific to an investment in Mosman.

In preparing the information relating to Mosman contained in this Target's Statement, MEO has relied on publicly available information relating to Mosman. As a result, risks may exist in relation to Mosman of which MEO is not aware. If any material risks are known to the directors of Mosman, they must be disclosed in the Replacement Bidder's Statement issued by Mosman.

These risks are explained in detail in section 8 of the Replacement Bidder's Statement. MEO Shareholders should read the Replacement Bidder's Statement carefully and consult their professional advisers before deciding whether to accept the Mosman Offer. By accepting the Mosman Offer, MEO Shareholders are, subject to each of the Conditions being satisfied or waived, investing in Mosman.

(e) **Integration risk**

The long term success of the Mosman Group will depend, amongst other things, on the success of management in integrating MEO and Mosman and the strength of management of the Mosman Group.

There are risks that any integration of the businesses of MEO and Mosman may take longer or cost more than expected and that the anticipated benefits of that integration may be less than estimated. These risks include possible differences in the management culture of the two groups, and the appointment of key personnel.

(f) **Contract risk and third party consents**

Under certain contracts to which the MEO Group is a party, the Mosman Offer may be deemed to result in a change of control or other relevant event in respect of an MEO Group Entity that allows the counterparty to review or terminate the contract upon implementation of the Mosman Offer. If the counterparty to any such contract were to validly seek to renegotiate or terminate the contract on that basis, this may have a material adverse effect on the financial performance of the MEO Group, depending on the nature of the relevant contracts.

(g) **Risks for pre-qualified operatorship**

MEO Group Entities have pre-qualified as an operator in a number of jurisdictions. Implementation of the Mosman Offer may result in the relevant government seeking to terminate, revoke or amend the terms of an MEO Group Entity's status as a pre-qualified operator. If the relevant government were to validly seek to terminate, revoke or amend the terms of an MEO Group Entity's status as a pre-qualified operator on that basis, that could prejudice the MEO Group Entity's ability to operate in the relevant jurisdiction and adversely affect the value of the assets or future financial performance of the MEO Group.

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## 9 Additional information

This section includes information on the interests of the MEO Directors and the effect of the Mosman Offer on MEO's Long Term Incentive Plan.

### 9.1 MEO Directors' interests in MEO securities

The following table shows the Relevant Interest of each MEO Director in MEO Shares, MEO Options as at the date of this Target's Statement.

MEO Director	Number of MEO Shares	Number of MEO Options
Gregory Short	1,392,444	900,000
Peter Stickland	453,700 <sup>1</sup>	500,000
Stephen Hopley	950,000 <sup>2</sup>	900,000

Notes:

<sup>1</sup> Held directly by Susan Jane Stickland

<sup>2</sup> Held indirectly by Mr Stephen Wade Hopley & Ms Yvonne Elizabeth Allen ATF Hopley Pension Fund A/C, an Associate of Mr Hopley

Each of the MEO Directors intend to **REJECT** the Mosman Offer in relation to the MEO Shares which they control.

### 9.2 MEO Directors' dealings in MEO Shares

No MEO Director has acquired or disposed of a Relevant Interest in any MEO Shares in the four month period immediately preceding the date of this Target's Statement, other than as noted below:

MEO Director	Number of MEO Shares acquired
Peter Stickland	300,000 <sup>1</sup>

Notes:

<sup>1</sup> Held directly by Susan Jane Stickland

### 9.3 Recommendation of the MEO Directors

After taking into account each of the matters in this Target's Statement and the Replacement Bidder's Statement, each of the MEO Directors recommend that you **REJECT** the Mosman Offer.

In considering whether to accept the Mosman Offer, the MEO Directors encourage you to:

- (i) read the whole of this Target's Statement and the Replacement Bidder's Statement;
- (ii) have regard to your individual risk profile, portfolio strategy, tax position and financial circumstances; and
- (iii) obtain financial advice from your broker or financial adviser on the Mosman Offer and obtain taxation advice on the effect of accepting the Mosman Offer.

The reasons for the MEO Directors' recommendations are set out in section 2.3 of this Target's Statement.

#### 9.4 MEO Directors' interests in securities of Mosman

Details of the marketable securities that Mosman has on issue are set out in section 3.5 of the Replacement Bidder's Statement.

The number and description of marketable securities of Mosman or any of Mosman's related bodies corporate in which the MEO Directors have a Relevant Interest as at 23 February 2015, being the last practicable day prior to the finalisation of this Target's Statement, is set out below.

MEO Director	Mosman Shares
Gregory Short	nil
Peter Stickland	nil
Stephen Hopley	nil

#### 9.5 MEO Directors' dealings in Mosman Shares

No MEO Director has acquired or disposed of a Relevant Interest in any Mosman Shares in the four month period immediately preceding the date of this Target's Statement.

#### 9.6 Officers' indemnities and insurance

Pursuant to deeds with respect to terms of appointment as a director entered into by MEO with each of the non-executive MEO Directors, MEO has agreed (among other things) to:

- (i) indemnify the non-executive MEO Directors, to the maximum extent permitted by the law, for all liabilities and legal expenses incurred by a non-executive MEO Director acting as a director of MEO (or a Related Body Corporate of MEO);
- (ii) maintain personal directors' and officers' liability insurance cover for an amount of \$50 million for any one claim and in the aggregate; and
- (iii) maintain MEO company records (including Board papers and correspondence between MEO and third parties) for a period of seven years and to allow non-executive MEO Directors full and free access to those records at all reasonable times.

The scope of this indemnity includes liabilities incurred by the non-executive MEO Director in connection with the Mosman Offer and the non-executive MEO Director's involvement in the process that resulted in the Mosman Offer, and legal costs reasonably incurred in defending an action for any such liability.

The terms of MEO's director and officer insurance policy provide that the insurer will provide run-off insurance to each MEO Director for a period of seven years in the event MEO is subject to a merger transaction, subject to additional terms, conditions, and premium as the insurer may require.

#### 9.7 Benefits and agreements

##### (a) Agreements connected with or conditional on the Mosman Offer

There are no agreements made between any MEO Director and any other person in connection with, or conditional on, the outcome of the Mosman Offer.

(b) **Payments and benefits from Mosman**

As a result of the Mosman Offer, no benefit (other than a benefit permitted by sections 200F or 200G of the Corporations Act) has been, or will be, given to a person:

- (i) in connection with the retirement of a person from a board or managerial office in MEO or a related body corporate of MEO, other than as set out below; or
- (ii) who holds, or has held a board or managerial office in MEO or a related body corporate of MEO or a spouse, relative or Associate of such a person, in connection with the transfer of the whole or any part of the undertaking or property of MEO.

In the event of a change in control of MEO, and as a result of redundancy or a substantial change in position, duties, authorities or responsibilities leading to termination of employment, employees may be entitled to and/or seek payments equivalent to their salary package and entitlements for a certain period. In the case of the Managing Director and Chief Executive Officer, the relevant period would be the remainder of his initial 12 month appointment.

(c) **Interests of MEO Directors in contracts with Mosman**

Other than as set out elsewhere in this Target's Statement, no MEO Directors have any interests in contracts with Mosman or any of Mosman's related bodies corporate as at the date of this Target's Statement.

## **9.8 Material contracts**

To the best of the MEO Directors' knowledge and other than as set out elsewhere in this Target's Statement, the MEO Group has no material contract which contains a change in control provision which would be triggered as a result of, or as a result of acceptances of, the Mosman Offer and which may have a material adverse effect on the assets and liabilities, financial position and performance, profits and losses and prospects of MEO.

## **9.9 Taxation considerations for MEO Shareholders**

The taxation consequences of MEO Shareholders accepting the Mosman Offer depend on a number of factors and will vary depending on your particular circumstances. Section 7 of the Replacement Bidder's Statement sets out a general outline of the Australian capital gains tax consequences of the acceptance of the Mosman Offer.

The following Australian income tax comments do not apply to MEO Shareholders who are not resident of Australia for taxation purposes or who acquired their MEO Shares in respect of their employment or for services rendered, or which are companies, superannuation funds, partnerships or trusts. Those MEO Shareholders should seek their own specific professional advice as to the taxation implications applicable to their circumstances.

Further, the comments below do not apply to MEO Shareholders who acquired their MEO Shares for the purpose of resale at a profit or MEO Shareholders which are banks, insurance companies, tax exempt organisations or engaged in a business of trading or investment.

The following Australian income tax comments do not apply to MEO Option Holders. It is recommended that MEO Option Holders obtain their own independent professional tax advice in respect of their specific circumstances.

If you are an Australian resident for tax purposes, you may incur significant CGT liabilities on the disposal of your MEO Shares unless CGT rollover relief is available. CGT rollover relief will only be available if Mosman acquires 80% or more of all MEO Shares following the Mosman Offer.

This means that if, as a result of the Mosman Offer, Mosman owns less than 80% of MEO Share, MEO Shareholders who make an Australian capital gain by accepting the Mosman Offer will **not** be able to elect to obtain CGT rollover relief.

If rollover relief is not available or not chosen, MEO Shareholders who have held their MEO Shares for 12 months or more and who dispose of those MEO Shares will be eligible for the CGT discount (for individuals this means only 50% of the capital gain will be taxable).

If rollover relief is not available or not chosen, MEO Shareholders who have held their MEO Shares for less than 12 months and who dispose of those MEO Shares will not be eligible for any CGT discount. Those MEO Shareholders may therefore be taxed on any net capital gain at their top marginal rate of tax.

CGT rollover relief is not available if you hold your MEO Shares as trading stock or otherwise on revenue account. Therefore, MEO Shareholders who hold their MEO Shares as trading stock or otherwise on revenue account may be left with significant income tax liabilities from any disposal of MEO Shares. We recommend that for those MEO Shareholders that hold their MEO Shares as trading stock or otherwise on revenue account obtain their own professional tax advice in respect of their specific circumstances.

A capital loss will be incurred by MEO Shareholders if the market value of the Offer Consideration is below the reduced cost base a MEO Shareholder has in MEO Shares. Such capital losses will only be available to offset any current or future capital gains (subject to satisfying the applicable loss utilisation rules). CGT rollover relief is not available if a capital loss is incurred.

The taxation comments in this section are general in nature only and do not cover all possible tax consequences and it is recommended that MEO Shareholders seek their own independent tax advice on the consequences of accepting the Mosman Offer.

MEO Shareholders should consult their own tax adviser for tax advice tailored to their own particular circumstances. MEO Shareholders should not solely rely on section 7 of the Replacement Bidder's Statement and this section 9.9 of the Target's Statement in relation to the taxation implications of accepting the Mosman Offer. In particular, MEO Shareholders who are subject to taxation outside Australia should obtain their own advice as to the tax consequences for them of the Mosman Offer, which may be different to those applicable to Australian resident MEO Shareholders.

Neither MEO, nor any of the MEO Directors, nor its taxation or other advisers, accept any liability or responsibility in respect of any statement concerning the taxation consequence of accepting the Mosman Offer in relation to particular MEO Shareholders.

#### **9.10 Material litigation**

To the best of the MEO's Directors' knowledge, MEO is not involved in any ongoing or threatened litigation that is or would be material in the context of MEO's business.

#### **9.11 Consents**

Each of the persons listed below has given and has not, before the lodgement of this Target's Statement with ASIC, withdrawn their consent to the inclusion of the following

information in this Target's Statement in the form and context in which it is included and to all references in this Target's Statement to that information in the form and context in which they appear:

- (i) each MEO Director – to being named as a director and to the inclusion of statements made by him and to the references to those statements;
- (ii) UBS AG – to being named as financial adviser to MEO;
- (iii) Gilbert + Tobin – to being named as legal adviser to MEO;
- (iv) EY – to being named as auditor of MEO; and
- (v) Link Market Services Limited – to being named as MEO's share registry.

Each person named above as having given its consent to the inclusion of a statement or report or to being named in this Target's Statement:

- (vi) does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, a statement or report included in this Target's Statement with the consent of that person; and
- (vii) to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement or report, any statement or report which has been included in this Target's Statement with the consent of that party.

As permitted by ASIC Class Order 13/521, this Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or the ASX (in compliance with the Listing Rules), including the Replacement Bidder's Statement. Pursuant to this Class Order, the consent of persons to which such statements are attributed is not required for the inclusion of those statements in this Target's Statement.

Any MEO Shareholder who would like to receive a copy of any of the documents (or parts of the documents) that contain the statements which have been included pursuant to Class Order 13/521 may obtain a copy free by writing to MEO's Company Secretary.

Copies of all announcements by MEO may also be obtained from its website at [www.meoaustralia.com.au](http://www.meoaustralia.com.au).

In addition, as permitted by ASIC Class Order 07/429, this Target's Statement contains share price trading data sourced from IRESS without its consent.

#### **9.12 ASIC declarations and Listing Rule waivers**

MEO has not been granted any modifications or exemptions by ASIC from the Corporations Act in connection with the Mosman Offer. Further, MEO has not been granted any waivers from ASX in relation to the Mosman Offer.

### 9.13 Continuous disclosure

MEO is required to lodge various documents with ASIC. Copies of documents lodged with ASIC in relation to MEO may be obtained from, or inspected at, an ASIC office.

MEO will provide a copy of each of the following documents, free of charge, to anyone who asks for them before the end of the Offer Period. In addition, copies of the documents may be inspected at MEO's offices at Level 20, 500 Collins Street, Melbourne, Victoria, 3000 (between 9.00am and 5.00pm (Melbourne time) on Business Days):

- (i) MEO's annual financial report for the year ending 30 June 2014;
- (ii) MEO's half-year financial report for the half-year ending 31 December 2014; and
- (iii) any continuous disclosure announcements made by MEO after the date of the lodgement of MEO's annual financial report for the year ending 30 June 2014 and prior to the date of this Target's Statement.

The documents can also be obtained from the ASX website at [www.asx.com.au](http://www.asx.com.au) or from the MEO website at [www.meoaustralia.com.au](http://www.meoaustralia.com.au).

As a company with securities quoted on the ASX and being a disclosing entity under the Corporations Act, MEO is subject to regular reporting and disclosure obligations. These obligations require MEO to announce price sensitive information as soon as it becomes aware of the information, subject to the exceptions for certain confidential information. MEO's recent ASX announcements are available from the MEO website at [www.meoaustralia.com.au](http://www.meoaustralia.com.au) and the ASX website at [www.asx.com.au](http://www.asx.com.au).

It is intended that further announcements concerning developments at MEO will continue to be made on these websites after the date of this Target's Statement.

There is no information which has been excluded from a continuous disclosure notice in accordance with the Listing Rules, and which is required to be set out in this Target's Statement.

### 9.14 No other material information

This Target's Statement is required to include all information that MEO Shareholders and their professional advisers would reasonably require to make an informed assessment whether to accept the Mosman Offer, but:

- (i) only to the extent to which it is reasonable for investors and their professional advisers to expect to find the information in this Target's Statement; and
- (ii) only if the information is known to any of the MEO Directors.

Each of the MEO Directors who authorised this Target's Statement are of the opinion that the information that MEO Shareholders and their professional advisers would reasonably require to make an informed assessment of whether to accept the Mosman Offer is the information contained in:

- (iii) the Replacement Bidder's Statement (to the extent that the information is not inconsistent with or superseded by information in this Target's Statement);

- (iv) the half-year financial report of MEO for the year ended 31 December 2014;
- (v) MEO's releases to the ASX prior to the date of this Target's Statement; and
- (vi) this Target's Statement.

The MEO Directors have assumed, for the purposes of preparing this Target's Statement, that the information contained in the Replacement Bidder's Statement is accurate (unless they have expressly indicated otherwise in this Target's Statement). However, the MEO Directors do not take any responsibility for the contents of the Replacement Bidder's Statement and are not to be taken as endorsing, in any way, any or all of the statements contained in it.

In deciding what information should be included in this Target's Statement, the MEO Directors have had regard to:

- (vii) the nature of the MEO Shares (being fully paid ordinary shares);
- (viii) the matters which MEO Shareholders may reasonably be expected to know;
- (ix) the fact that certain matters may reasonably be expected to be known to the professional advisors of MEO Shareholders; and
- (x) the time available to MEO to prepare this Target's Statement.

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## 10 Approval of Target's Statement

This Target's Statement has been approved by a resolution of the MEO Directors. Each MEO Director has voted in favour of the resolution authorising this Target's Statement.

Dated:

Signed for and on behalf of MEO Australia Limited

A handwritten signature in black ink, appearing to read 'G Short', written over a horizontal line.

Mr Gregory Short  
Chairman  
MEO Australia Limited

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## 11 Glossary and interpretation

### 11.1 Glossary

The following terms have the meanings set out below unless the context requires otherwise:

**1C** denotes low estimate scenario of contingent resources.

**2C** denotes best estimate scenario of contingent resources.

**3C** denotes high estimate scenario of contingent resources.

**90% Minimum Acceptance Condition** means the condition contained in section 10.11(a) of the Replacement Bidder's Statement (and summarised in section 4.4 of this Target's Statement).

**Acceptance Form** means the form of acceptance of the Mosman Offer enclosed with the Mosman Offer and the Replacement Bidder's Statement or, as the context requires, any replacement or substitute acceptance form provided by, or on behalf of, Mosman.

**AIM** means the AIM market of the London Stock Exchange plc.

**AIM Rules** means the AIM Rules for Companies published by the London Stock Exchange plc, as amended from time to time which set out the rules, responsibilities and guidance notes in relation to companies whose shares are admitted to trading on AIM.

**Announcement Date** means 11 December 2014, the date the Proposal was announced on AIM; the Mosman Offer was amended by further announcement dated 19 January 2015.

**ASIC** means the Australian Securities & Investments Commission.

**Associate** has the meaning given to that term in section 12(2) of the Corporations Act.

**ASX** means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

**ASX Settlement** means ASX Settlement Pty Ltd (ABN 49 008 504 532).

**ASX Settlement Operating Rules** means the operating rules of the settlement facility provided by ASX Settlement.

**Board** or **MEO Board** means the board of directors of MEO.

**bopd** means barrels of oil per day.

**Business Day** has the meaning given to that term in the Listing Rules.

**CGT** means Australian capital gains tax.

**Combined Entity** means Mosman and its Subsidiaries following acquisition by Mosman of all the MEO Shares on issue.

**Conditions** means the conditions of the Mosman Offer as detailed in section 10 of the Replacement Bidder's Statement.

**Contingent Resources** means those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development oil and gas projects, but which are not currently considered to be commercially recoverable due to one or more contingencies.

**Corporations Act** means the *Corporations Act 2001* (Cth) and any regulations made under that Act.

**CREST** means the relevant system (as defined in the CREST Regulations) for the paperless settlement of share transfers and the holding of shares in uncertificated form in the UK which is administered by Euroclear UK & Ireland Limited.

**CREST Regulations** means the *Uncertificated Securities Regulations 2001* (SI 2001 No. 3755), as amended from time to time.

**Depository** has the meaning given in section 3.1 of the Replacement Bidder's Statement.

**Directors** means MEO Directors.

**DST** means drill stem test.

**Eni** means Eni Australia Limited.

**EY** means Ernst & Young.

**FLNG** means floating liquefied natural gas.

**Foreign Shareholder** means any MEO Shareholder whose address, as entered in the register of members of MEO, is in a jurisdiction other than Australia (and its external Territories), unless Mosman otherwise determines after being satisfied that it is not unlawful, not unduly onerous and not unduly impracticable to make the Mosman Offer to a MEO Shareholder in the relevant jurisdiction and to issue Mosman Shares to such a MEO Shareholder on acceptance of the Mosman Offer, and that it is not unlawful for such a MEO Shareholder to accept the Mosman Offer in such circumstances in the relevant jurisdiction.

**Government Agency** means any government or any governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity in any part of the world.

**Listing Rules** means the listing rules of ASX as amended or varied from time to time.

**LNG** means liquefied natural gas.

**Long Term Incentive Plan** means the employee long term incentive plan of MEO approved at the annual general meeting of MEO held on 15 November 2012.

**MEO** or the **Company** means MEO Australia Limited (ABN 43 066 447 952).

**MEO Director** or **Director** means a director of MEO.

**MEO Group** means MEO and its Subsidiaries and controlled entities.

**MEO Group Entity** means any member of the MEO Group.

**MEO Option** means an option granted by MEO to acquire or subscribe for an unissued MEO Share, including options granted pursuant to MEO's Long Term Incentive Plan.

**MEO Option Holder** means a person who is registered as the holder of MEO Options in the MEO Register.

**MEO Performance Right** means a right granted by MEO to acquire or be issued an unissued MEO Share for nil consideration in accordance with the terms of MEO's Long Term Incentive Plan.

**MEO Register** means the register of MEO Shareholders maintained by MEO in accordance with the Corporations Act.

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

**MEO Shareholder** means a person who is registered as the holder of MEO Shares in the MEO Register.

**MMboe** means Millions of barrels of oil equivalent.

**mMDBRT** means metres measured depth below rotary table.

**MMscfd** means Millions of standard cubic feet per day.

**MMstb** means Millions of stock tank barrels.

**Mosman** or the **Bidder** means Mosman Oil and Gas Limited (ABN 90 150 287 111).

**Mosman DIs** has meaning given in section 3.1 of the Replacement Bidder's Statement.

**Mosman Group** means Mosman and its Subsidiaries.

**Mosman Offer** means the off-market takeover offer by Mosman to acquire MEO Shares under Chapter 6 of the Corporations Act on the terms set out in the Replacement Bidder's Statement.

**Mosman Option** means an option to acquire a Mosman Share.

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

**Mtpa** means millions of tons per annum.

**Neon Energy** means Neon Energy Limited ABN 49 002 796 974.

**Notice of Status of Conditions** means Mosman's notice disclosing the status of the Conditions which is required to be given under section 630(3) of the Corporations Act.

**Offer Consideration** means one Mosman Share for every ten MEO Shares held to be issued pursuant to the Mosman Offer.

**Offer Period** means the period during which the Mosman Offer is open for acceptance.

**Proposal** means the proposed takeover bid by Mosman of 100% of MEO Shares pursuant to Chapter 6 of the Corporations Act.

**Prospective Resources** means those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable, from undiscovered accumulations.

**PSC** means production sharing contract.

**Relevant Interest** has the same meaning as given to it in sections 608 and 609 of the Corporations Act.

**Replacement Bidder's Statement** means the replacement bidder's statement in relation to the Mosman Offer, prepared by Mosman and dated 10 February 2015.

**Reserves** means those quantities of petroleum anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining based on the development project(s) applied.

**Sale Nominee** means has the meaning given to it in section 10.10 of the Replacement Bidder's Statement.

**Security Interest** has the meaning given in section 12 of the *Personal Property Securities Act 2009* (Cth).

**Subsidiary** has the meaning given to it in section 9 of the Corporations Act.

**Takeovers Panel** means the Takeovers Panel established under section 171 of the *Australian Securities and Investments Commission Act 1989* (Cth).

**Target's Statement** means this document.

**Tcf** means trillions of cubic feet.

**Third Party** means a party other than MEO, Mosman or any of their subsidiaries or controlled entities.

**VWAP** or **volume weighted average price** means the volume weighted average price of MEO Shares sold on ASX over the relevant period.

## 11.2 Interpretation

- (i) Annexures to the Target's Statement form part of this Target's Statement.
- (ii) Words and phrases to which a meaning is given by the Corporations Act, the Listing Rules or the ASX Settlement Operating Rules have that meaning in this Target's Statement unless that meaning is inconsistent with the context in which the word or phrase is used.
- (iii) Headings are for convenience only and do not affect the interpretation of this Target's Statement.
- (iv) The singular includes the plural and vice versa and words importing any gender include the other gender, and references to persons include corporations.
- (v) References to time are references to the time in Perth, Australia on the relevant date, unless stated otherwise.
- (vi) References to "dollars", "\$" or "cents" are to Australian currency.

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## 12 Corporate directory

### **MEO Australia Limited**

Level 20  
500 Collins Street  
MELBOURNE VIC 3000

Phone: +61 3 8625 6000  
Fax: +61 3 9614 0660  
Website: [www.meoaustralia.com.au](http://www.meoaustralia.com.au)

### **Financial adviser**

UBS AG, Australia Branch  
Chifley Tower, 2 Chifley Square  
Sydney, NSW 200

### **Legal adviser**

Gilbert + Tobin  
1202 Hay Street  
WEST PERTH WA 6005

Phone: +61 8 9413 8400  
Fax: +61 8 9413 8444

### **Share registry**

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