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ASX & Media Release

MEO DIRECTORS CONTINUE TO RECOMMEND YOU **REJECT THE REVISED MOSMAN OFFER**

MEO Australia Limited (ASX: **MEO**) notes the announcement made on 1 May 2015 by Mosman Oil and Gas Limited (**Mosman**) and subsequent documentation distributed to MEO Shareholders, describing Mosman's revised consideration and further extension of time (the **Variation**) to its offer to acquire all of the fully paid ordinary shares in MEO (**Revised Mosman Offer**).

Your Directors continue to recommend you **REJECT** the Revised Mosman Offer and **simply do nothing** in relation to any documents received from Mosman for the following reasons:

- **Mosman has limited cash and its ability to continue as a going concern remains uncertain.** It has only conducted a small capital raising since announcing the original offer and its cash position is compounded by the estimate in its Replacement Bidder's Statement that it expected to spend an estimated total of \$648,000 on the Offer;
- **the majority of the exploration projects in the Mosman portfolio are in commercially unproven areas and some carry significant liabilities;**
- the Mosman Share price has been volatile throughout the Offer period and the **MEO Directors can have no confidence the Revised Mosman Offer will represent a premium or a discount** to the price of MEO Shares at the close of the Revised Mosman Offer. Based on the respective share prices on closing on 22nd May, 2015, the Revised Mosman Offer has an implied value of A\$1.6068 cents per MEO share, being a discount of 20% from the applicable MEO share price of A\$2.0 cents per share*;
- **trading shares on the UK based AIM Market is, for Australian based shareholders, typically more costly, more complex and takes longer than the ASX.** Any Mosman Shares issued to MEO shareholders on the AIM market would be provided in a paper share certificate, which will not be able to be traded on AIM directly or via Australian based online trading platforms, and hence as a Mosman shareholder based in Australia you would need to use a broker to trade them;
- the Revised Mosman Offer is unconditional, **however it is uncertain what consequences would arise should the AIM Rules require Mosman shareholders to approve the Revised Mosman Offer and that approval not be obtained.** Mosman has not provided any disclosure in this regard;
- **MEO's portfolio has significant potential upside for MEO shareholders** and MEO has already substantially cut corporate overheads. MEO is actively progressing projects across its whole portfolio, but in just the past three months has achieved important milestones:
 - **Beehive Prospect (WA-488-P):** MEO recently announced that its wholly owned subsidiary had completed a 30% farmout to a wholly owned subsidiary of SGX-listed Rex International Holding and that the agreement includes options, which if exercised, will result in full funding of a 3D Seismic Survey and the Beehive-1 well with MEO retaining a fully carried 20% interest;

- **Beehive Prospect (WA-488-P):** MEO recently announced that it had been notified by the Titles Administrator that its application to vary the WA-488-P work program by suspending and extending Permit Year 2 by 6 months has been approved;
 - **Breakwater Prospect (WA-454-P):** MEO recently announced that the WA-454-P Joint Venture had received notice from the Titles Administrator that its applications to vary the WA-454-P work program by extending Permit Year 4 by 6 months, and deferring the current well commitment from Permit Year 5 to Permit Year 6, had been approved; and
 - **AC/P50 and AC/P51:** MEO recently announced it had accepted an offer from the Titles Administrator to renew AC/P50 and AC/P51 for a further 5 year term. The firm minimum work program requirement is for the first three years of the renewal and for each block consists of geological and geophysical studies and seismic data reprocessing. The discretionary secondary term work program, Years 4 and 5, contain one well in each permit.
- **MEO is in discussions with third parties concerning potential proposals**, however there is no guarantee of a superior proposal at any future time. Shareholders should consider the timing of any planned acceptance of the Revised Mosman Offer as **if a superior proposal by another party emerges, you will generally be precluded from accepting it if you have already accepted the Revised Mosman Offer.**

To REJECT the Revised Mosman Offer, MEO shareholders should simply do nothing and not respond to any telephone calls or documents received from Mosman.

MEO shareholders should note that you have the right to withdraw your acceptance of the Offer if you accepted prior to the Mosman announcement of 1 May 2015. If you wish to withdraw your previous acceptance of the Offer, you can do so by:

1. writing to Mosman within one month beginning on the day after the day on which you received Mosman's Notice of Variation to request that your acceptance be withdrawn, care of Computershare Investor Services Pty Ltd at:

Computershare Investor Services Pty Ltd
GPO Box 52
Melbourne VIC 3001
Australia; OR
2. if you use a broker or an online share trading platform, contact them and they may be able to transmit a message to ASX Settlement for you.

Attached is MEO's fourth supplementary target's statement in respect of the above. Capitalised terms are defined therein.

In the event of any queries, please contact MEO Australia on +61 3 8626 6000.



Mr Gregory Short
Chairman

* based on closing share prices on 22nd May, 2015 with Mosman closing share price of £4.12 pence per share, MEO closing share price of A\$2.0 cents per share and a forex rate of A\$1.95 per £1

1 Introduction

This document is a supplementary target's statement under section 644 of the Corporations Act. It is the fourth supplementary target's statement ("**Fourth Supplementary Target's Statement**") issued by MEO Australia Limited (ABN 43 066 447 952) ("**MEO**") in relation to the off market takeover offer to acquire all of the shares in MEO by Mosman Oil and Gas Limited (ABN 90 150 287 111) ("**Mosman**"). This Fourth Supplementary Target's Statement supplements, and should be read together with, MEO's target statement dated 25 February 2015, the first supplementary target's statement dated 18 March 2015, the second supplementary target's statement dated 30 April 2015 and the third supplementary target's statement dated 4 May 2015 (together, the "**Target's Statement**").

2 Revised Mosman Offer

- (a) On 1 May 2015, Mosman sent MEO a letter enclosing:
 - (i) Mosman's notice dated 1 May 2015 freeing the Mosman Offer from all defeating Conditions, except for the condition detailed in Section 10.11(b) of the Replacement Bidder's Statement (relating to the requirement for Mosman Shareholders to approve Mosman's takeover offer);
 - (ii) Mosman's notice dated 1 May 2015 to vary the Offer Consideration and extend the Offer Period; and
 - (iii) Mosman's notice dated 1 May 2015 to extend the date for giving a notice on the status of the Conditions; and
- (b) on 5 May 2015, Mosman sent MEO a notice freeing the Mosman Offer from the defeating condition relating to Mosman Shareholder approval,

(together, the **Variation Notices**).

On 13 May 2015, Mosman released its First Supplementary Bidder's Statement, which stated that the Revised Mosman Offer was free from the defeating condition relating to Mosman Shareholder approval. However, this document also referred to a date by which Mosman would give notice in respect of the '*remaining Condition*'.

On 18 May 2015, Mosman released its Second Supplementary Bidder's Statement, which confirmed that the Revised Mosman Offer was free from the defeating condition relating to Mosman Shareholder approval, and therefore the Revised Mosman Offer was free from all Conditions.

Pursuant to the Variation Notices, the First Supplementary Bidder's Statement and the Second Supplementary Bidder's Statement, Mosman has varied the terms of the Mosman Offer. Under the terms of the Revised Mosman Offer, Mosman has:

- (a) varied the Offer Consideration, such that Mosman now offers one Mosman Share for every five MEO Shares;
- (b) extended the Offer Period, such that the Revised Mosman Offer now closes at 5.00pm (WST) on 12 June 2015, unless further extended or withdrawn; and
- (c) freed the Revised Mosman Offer from all Conditions.

3 Director's recommendation

Your Directors continue to recommend you **REJECT** the Revised Mosman Offer for the following reasons:

- (a) **Mosman has limited cash and its ability to continue as a going concern remains uncertain.** It has only conducted a small capital raising since announcing its takeover offer and its cash position is compounded by the estimate in its Replacement Bidder's Statement that it expected to spend an estimated total of \$648,000 on its takeover offer.

Mosman's independent auditor noted in Mosman's financial reports for 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 has since raised only A\$975,000 (approximately), minus expenses, an amount significantly less than would be required to address your Directors' concerns about Mosman's ability to continue as a going concern.**

- (b) **The majority of the exploration projects in the Mosman portfolio are in commercially unproven areas and some carry significant liabilities.** In addition, in disclosing its assessment of Prospective Resources Mosman have disclosed only the volumes, not the chance of success, as would be required for ASX listed companies.

On 22 May, 2015, Mosman announced that flow tests at Petroleum Creek have produced volumes of fluid, predominantly water, of up to 28 barrels per day, with varying amounts of oil.

- (c) The Mosman Share price has been volatile throughout the Offer Period and the **MEO Directors can have no confidence the Revised Mosman Offer will represent a premium or a discount** to the price of MEO Shares at the close of the Revised Mosman Offer. Based on the respective share prices on closing on 22nd May, 2015, the Revised Mosman Offer has an implied value of A\$1.6068 cents per MEO Share, being a discount of 20% from the applicable MEO share price of A\$2.0 cents per share.¹
- (d) **Trading shares on the UK based AIM Market is, for Australian based shareholders, typically more costly, more complex and takes longer than the ASX.** Any Mosman Shares issued to MEO Shareholders on the AIM market would be provided in a paper share certificate, which will not be able to be traded on AIM directly or via Australian based online trading platforms, and hence as a Mosman shareholder based in Australia you would need to use a broker to trade them.

On 3 March 2015 Mosman announced on AIM that it had engaged Patersons Securities Limited ("**Patersons**") to assist MEO Shareholders who would like help to facilitate the sale of their Mosman shares. MEO understands that, in relation to the process of trading Mosman share certificates on AIM, Patersons set accounts up for MEO clients (without charge), who would then lodge the Mosman share certificates through Patersons. MEO also understands the charges typically include:

- (i) brokerage = 1% or \$100 min per transaction;

¹ Based on the closing price of Mosman shares of 4.12 pence per share, the closing price of MEO Shares of A\$2.0 cents per share and the Australian dollar British pound exchange rate of A\$1.95 per £1.

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- (ii) international administration fee = \$99 or 0.33% per transaction;
- (iii) international stock lodgement fee = \$55; and
- (iv) international custody fee = \$22 per month (on a per account basis).

Mosman has not yet disclosed the charges agreed with Patersons, and it is possible that Patersons and Mosman may have agreed different charges.

- (e) The Revised Mosman Offer is unconditional; **it is uncertain what consequences would arise should the AIM Rules require Mosman shareholders to approve the Revised Mosman Offer and that approval not be obtained.** Mosman has not provided any disclosure in this regard.
- (f) **MEO's portfolio has significant potential upside for MEO Shareholders and MEO has already substantially cut corporate overheads.** MEO is actively progressing projects across its whole portfolio, but in just the past three months has achieved important milestones:
 - (i) **Beehive Prospect (WA-488-P):** Section 6.3(c) of the original target's statement set out an overview of MEO's participating interest in WA-488-P and noted that MEO had signed a binding option agreement whereby the MEO Group granted a third party an option to acquire a 30% interest in WA-488-P. MEO recently announced that its wholly owned subsidiary had completed a 30% farmout to a wholly owned subsidiary of SGX-listed Rex International Holding and that the agreement includes options, which if exercised, will result in full funding of a 3D Seismic Survey and the Beehive-1 well with MEO retaining a fully carried 20% interest;
 - (ii) **Beehive Prospect (WA-488-P):** MEO recently announced that it had been notified by the Titles Administrator that its application to vary the WA-488-P work program by suspending and extending Permit Year 2 by 6 months has been approved. This additional time will provide an opportunity for the joint venture to undertake further proprietary seismic processing and consider acquiring a 3D seismic survey over the Beehive prospect prior to drilling the Beehive-1 exploration well;
 - (iii) **Breakwater Prospect (WA-454-P):** MEO recently announced that the WA-454-P Joint Venture had received notice from the Titles Administrator that its applications to vary the WA-454-P work program by extending Permit Year 4 by 6 months and deferring the current well commitment from Permit Year 5 to Permit Year 6, had been approved. This additional time will provide an opportunity to undertake additional seismic reprocessing; and
 - (iv) **AC/P50 and AC/P51:** MEO recently announced it had accepted an offer from the Titles Administrator to renew AC/P50 and AC/P51 for a further 5 year term. The firm minimum work program requirement is for the first three years of the renewal and for each block consists of geological and geophysical studies and seismic data reprocessing. The discretionary secondary term work program, Years 4 and 5, contain one well in each permit.
- (g) **MEO is in discussions with Third parties concerning potential proposals,** however there is no guarantee of a superior proposal at any future time. MEO Shareholders should consider the timing of any planned acceptance of the Revised Mosman Offer as if a superior proposal by another party emerges, you will be precluded from accepting it if you have already accepted the Revised Mosman Offer unless limited circumstances for withdrawal apply.

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- (h) **MEO Shareholders cannot be certain what percentage of Mosman they will own should they choose to accept the Revised Mosman Offer.** In the Replacement Bidder's Statement Mosman stated that it may issue up to approximately 21.1 million more Mosman shares before 30 September 2015, and it appears some 10 million new Mosman shares have been issued since the date of the Replacement Bidder's Statement. MEO Shareholders do not know if more Mosman shares will be issued before 30 September 2015.
- (i) **Mosman's stated intentions for MEO offer no new ideas.** MEO Directors already intend to maintain MEO's oil and gas interest, and have already reduced and continue to regularly monitor administrative overheads. The MEO Board has previously considered listing on an additional exchange but concluded it was not justified considering the additional administrative cost.

4 Right to withdraw acceptances

MEO Shareholders that accepted the Mosman Offer prior to Mosman extending the Offer Period should note that, due to Mosman having extended the Offer Period while the (Revised) Mosman Offer remained subject to defeating conditions, those MEO Shareholders have the right to withdraw their acceptances in respect of those MEO Shares that were sold into the offer prior to the extension.

Those MEO Shareholders can withdraw their acceptances by:

- (a) giving written notice within one month beginning on the day after the day on which the MEO Shareholder received Mosman's Notice of Variation; and
- (b) if applicable, returning any consideration received by the MEO Shareholder for accepting the Mosman Offer, together with any necessary documents of transfer.

Any notice provided by a MEO Shareholder to withdraw their acceptance can be given:

- (c) if you use a broker or an online share trading platform, contacting them and they may be able to transmit a message to ASX Settlement for you; and
- (d) in any other case, be in writing to Mosman, care of Computershare Investor Services Pty Limited at:

Computershare Investor Services Pty Limited
GPO Box 52
Melbourne VIC 3001
Australia

5 General

Unless the context otherwise requires, capitalised terms used in this Fourth Supplementary Target's Statement but not defined have the same meaning given to them in the Target's Statement. The Fourth Supplementary Target's Statement prevails to the extent of any inconsistency with the Target's Statement.

This Fourth Supplementary Target's Statement is dated 27 May 2015, which is the date it was lodged with ASIC. Neither ASIC nor any of its officers take any responsibility for its contents.

This Fourth Supplementary 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 Fourth Supplementary Target's Statement.

Fourth Supplementary Target's Statement

Dated: 27 May 2015.

Signed for and on behalf of MEO Australia Limited

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

Mr Gregory Short
Chairman
MEO Australia Limited