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MEO Directors respond to Mosman Proposal to make an off-market takeover offer

MEO Australia Limited (**MEO**) notes the announcement made on 11 December 2014 by Mosman Oil and Gas Limited (**Mosman**), indicating that Mosman intends to make an unsolicited off-market takeover offer to acquire 100% of outstanding MEO shares (**Mosman Proposal**) on the basis of one AIM-listed Mosman share for every 20 MEO shares on issue. Mosman has indicated that it anticipates dispatching a Bidder's Statement in relation to the Mosman Proposal in February 2015.

Based on the information provided to date, the MEO Directors consider the Mosman Proposal to be inferior to the proposed merger with Neon Energy Limited (Neon) announced on 5 November 2014 (Neon Merger).

In forming this view, the Directors have considered the following:

- The Mosman Proposal represents an implied value of approximately 1.65 cents per MEO share, representing a **discount** of approximately 13.1% to the last traded price of MEO shares¹, substantially below the current implied value of 2.65 cents per MEO share² under the Neon Merger
- Mosman had a reported cash balance of approximately A\$6.3 million as at 30 June 2014, substantially below Neon's cash balance of approximately A\$25.3 million³ as at 30 September 2014
- The Mosman Proposal is highly conditional, being subject to, among other conditions, approval of Mosman's shareholders and 90% minimum acceptance by MEO shareholders
- Mosman is offering AIM (a London Stock Exchange market) listed shares compares with ASX-listed Neon shares under the Neon Merger

The MEO Directors reiterate their unanimous support for the Neon Merger and intend to continue with the Neon Merger in accordance with the Merger Implementation Agreement.

The Neon Merger will combine the cash resources and assets of MEO and Neon to create an attractive and well-capitalised junior exploration and production (E&P) company, positioned for substantial growth. The MEO Directors and the Neon Directors unanimously support the Neon Merger and believe the merged group will be better positioned than either company as a standalone entity.

The Neon Merger remains on track for completion:

- The 12 November 2014 vote by Neon shareholders overwhelmingly rejected the unsolicited proportional takeover bid from Evoworld and defeated proposals to replace existing Neon Directors with Evoworld appointees
- Neither the Merger Implementation Agreement nor the Scheme are conditional on the outcome of any further resolutions Evoworld may put to Neon shareholders. Neon is obliged to comply with the Merger Implementation Agreement and MEO expects that Neon will continue to honor all of its legal obligations

¹ Based on the last traded price of MEO shares prior to the Mosman Proposal announcement of 1.9 cents, the last traded price of Mosman shares prior to the Mosman Proposal announcement of 17.5 pence and a AUDGBP exchange rate of 0.5301 as at 11 December 2014

² Based on the last traded price of MEO shares prior to the Mosman Proposal announcement of 1.9 cents and the last traded price of Neon shares prior to the Mosman Proposal announcement of 3.6 cents

³ Neon cash balance includes cash on deposit of \$A1.1 million and cash held in escrow of \$A4.6 million

Lodgment of draft MEO/Neon scheme booklet

As announced on Tuesday 2 December 2014, MEO has lodged a draft scheme booklet with the Australian Securities and Investment Commission (**ASIC**) in relation to the Neon Merger. The lodgment represents an important milestone in the merger process with Neon.

ASIC's review will be followed by an initial Court hearing, expected to occur during December 2014, to approve the scheme booklet and make orders to convene a scheme meeting of MEO shareholders. Conditional upon Court approval and registration with ASIC, a final scheme booklet is expected to be dispatched to MEO shareholders in late December 2014.

MEO shareholders will be asked to vote (either in person or by proxy) on the Scheme at a Shareholder meeting expected to be held in early February 2015.

On behalf of the MEO Directors, I reiterate our conviction to the Neon Merger and look forward to working with the Neon Board and management to bring the transaction to a successful conclusion.

The MEO Directors will keep MEO Shareholders fully informed of further developments as they occur.

A handwritten signature in black ink, appearing to read 'S. Hopley', with a stylized flourish at the end.

Stephen Hopley
Acting Chairman