



MOSMAN OIL AND GAS
LIMITED

3 March 2015

Mosman Oil and Gas Limited

Letter to MEO Shareholders

The Directors of Mosman Oil and Gas Limited ("Mosman" or the "Company") (AIM: MSMN) announce that the Company has today sent a letter ("the Letter") to MEO Australia Limited ("MEO") shareholders setting out why the Directors of Mosman believe the MEO shareholders should accept the Mosman's takeover bid for MEO, offering one Mosman share for every 10 MEO shares. The offer opened on 24 February 2015 and is open until 5:00pm (WST) 24 March 2015, unless extended or withdrawn. The following is included in the content Letter:

2 March 2015

Dear MEO Shareholder

Off-Market Takeover Bid by Mosman Oil and Gas Limited (Mosman) for MEO Australia Limited (MEO)

Please find **below** a letter from Mosman's Executive Chairman, John W Barr, to MEO shareholders.

Mosman has made a takeover bid for MEO, offering one Mosman share for every 10 MEO shares. The offer is open until 5:00pm (WST) 24 March 2015, unless extended or withdrawn.

Yours sincerely

MOSMAN OIL AND GAS LIMITED

ZANE LEWIS

Company Secretary

Mosman considers that its takeover offer for MEO presents MEO shareholders with a simple choice:

Exchange your MEO shares for shares in a growing company:

- (a) operated by an experienced management team with a commitment to low corporate and administration expenditure;***
- (b) that has, in the short period of time since its listing on AIM, experienced exploration success; and***
- (c) that has a clearly defined plan for creating shareholder wealth.***

OR

Risk suffering additional losses on their investment in MEO by remaining a shareholder in a stand alone company that has, in recent years, experienced a significant reduction of its market capitalisation and significant diminishment of its cash reserves.

OR

Dispose of your MEO shares on the ASX.

Dear MEO Shareholder,

As an investor in MEO I am sure that you are well and truly aware of MEO's significant share market underperformance in recent years – the ASX trading price of MEO shares having fallen from 37 cents three years ago to just 1.3 cents as at the date of this letter.

There are many other facts and figures in respect to MEO that should be of serious concern to MEO shareholders. These include:

- MEO's share market capitalisation suffering a significant reduction - from \$200 million in 2012 to less than \$9.75 million as at the date of this letter;
- MEO commencing 2012 with \$83.7 million in cash reserves and ending 2014 with just \$9.7 million;
- MEO expending \$96 million on exploration activities between 2011 and 2014 yet failing to achieve sustainable production; and
- MEO currently facing the prospect of having no choice but to relinquish or farm-out its key permits as a result of it having insufficient funds to undertake exploration activities in its own right.

The current directors of MEO have been either at the helm or heavily involved in MEO throughout this prolonged period of underperformance – Messrs Greg Short and Stephen Hopley have been directors of MEO since 2008 and Mr Peter Stickland (appointed a director this year) has been involved in MEO's activities as a senior executive since 2011.

The directors of MEO have belatedly announced that they are implementing a range of cost cutting initiatives intended to reduce corporate overheads. Mosman fully understands those MEO shareholders who are inclined to ask "*why not earlier?*" or those whose sentiment is simply "*too little, too late!*".

The reality is that MEO reported a loss of \$7.3 million in the six months to 31 December 2014 (of which more than 50% (\$3.7 million) was corporate administrative costs) and has publicly disclosed that it anticipates expending \$3.4 million in the current quarter (of which approximately 80% (\$2.85 million) will be corporate administrative costs).

The board of Mosman is of the opinion that the directors of MEO should not be provided with the opportunity to "wash their hands" of MEO's underperformance and failures and that MEO shareholders should entrust the management of MEO (via a combination with Mosman) to the Mosman directors by accepting the takeover offer.

MEO's Share Price (cents)

Link to pdf download of MEO Share Price graph: http://www.rns-pdf.londonstockexchange.com/rns/4375G_-2015-3-3.pdf

In assessing the alternatives available to you as an MEO shareholder, we suggest that you give due consideration to the following:

1. Uncertainty concerning MEO's future

Mosman understands how many MEO shareholders would have formed the view that MEO's future is uncertain - given that it is highly likely to have to relinquish or farm out some of its key exploration permits and has no current prospect of generating sustainable cash flow in the foreseeable future.

Mosman believes that there is overwhelming evidence that should MEO continue down its current path, the company will churn through what remains of its dwindling cash reserves by reason of its disproportionately high corporate and administrative costs.

In order to continue as a viable entity and have any chance of providing a return to MEO shareholders, MEO will likely have to:

- a. achieve exploration success;
- b. raise additional equity capital; and/or
- c. relinquish and/or farm-out interests in its permits (of particular concern are Permits 454 and 488).

Put simply, Mosman considers there is every reason to believe that MEO shareholders are set for more of the same value destruction unless MEO adopts an alternative strategy, including a fresh approach to exploration and a much tighter focus on cost control.

2. Value of the Mosman Takeover Offer: 48% premium as at 2 March 2015

Mosman considers that the offer of one Mosman share for every ten MEO shares represents an outstanding opportunity for MEO shareholders to recover some of the value they are likely to have lost on their investment in recent years and to participate in an active growing exploration company.

Mosman notes that MEO, in its Target's Statement dated 25 February 2015, makes numerous references to the Mosman offer representing a discount to the MEO share trading price as at 19 January 2015.

Mosman highlights that based on the companies' respective trading prices as at 2 March 2015, the takeover offer represents a **48.2% premium**¹.

3. The AIM Market

Contrary to some suggestions, trading in AIM-listed securities such as Mosman securities is not difficult and this should not deter MEO shareholders from taking this opportunity. MEO shareholders who accept the offer and receive Mosman shares can, in the future as they desire, readily trade their Mosman securities through many Australian broking firms. Mosman has engaged Patersons Securities Limited to assist MEO shareholders who would like some help to facilitate the sale of their Mosman securities. MEO shareholder should also be aware that Mosman enjoys excellent liquidity with its daily average turnover exceeding 2 million shares.

4. Mosman management team and ability to raise capital

Mosman will bring a strong and experienced management team to the proposed combined entity. This team has already recorded two exploration successes from the three wells it has drilled and completed two corporate transactions (including a takeover).

Mosman will also ensure that its policy of keeping costs low, particularly corporate and administrative expenses remains a central theme of the combined entity. By keeping these overheads down, we maximise the amount of shareholders' money which is available to invest in exploration, which in turn provides the best opportunity to create wealth for shareholders.

Mosman has established strong support in London financial markets. This has enabled Mosman to raise £6.16 million (approximately A\$12 million²) via share placements over the past year. This demonstrated ability to raise capital is crucial to Mosman's strategy of growth through exploration and it should be a key consideration for MEO shareholders, particularly in the current oil price environment. Mosman is confident, based on its previous efforts, that it will be able to raise additional capital as and when required – and importantly, on favourable terms.

We believe Mosman's successful management team and its track record of achieving tangible results in the short time since being admitted to AIM (in March 2014) makes the takeover offer an extremely attractive proposition for MEO shareholders. Should you elect to accept the offer, we look forward to you joining the "Mosman project" and sharing in Mosman's future.

Yours sincerely

MOSMAN OIL AND GAS LIMITED

JOHN W BARR

Executive Chairman, 2 March 2015

¹ Mosman's last traded price on AIM on 2 March 2015 was £0.0988 per share (\$0.19266 per share based on an exchange rate of £1=A\$1.95) and MEO's last traded price on ASX on 2 March 2015 was \$0.013.

² Based on an exchange rate of £1=A\$1.95.

This RNS announcement should not be utilised by the MEO shareholders in making any decision on whether or not to accept or decline the Offer and is solely being released for AIM disclosure purposes. MEO shareholders should read the Letter and the replacement bidder's statement in their entirety before making any decision on whether to accept or reject the Offer, and should consult their financial or other professional advisers if they are in doubt as to how to deal with the Letter.

Enquiries:

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Updates on the Company's activities are regularly posted on its website www.mosmanoilandgas.com

About Mosman

Mosman (AIM: MSMN) is an Australia and New Zealand focused oil exploration and development company with a strategy to build a sustainable mid-tier oil and gas business by acquisition and organic growth.

Currently, Mosman has a total of ten permits or accepted permit applications in New Zealand and Australia.

Petroleum Creek Project, New Zealand

Mosman owns 100% of permit PEP 38526, the Petroleum Creek Project, which is a 143 sq. km low cost onshore exploration project located near Greymouth on the South Island in the southern extension of the proven Taranaki oil system.

Taramakau, Murchison and East Coast Permits (New Zealand)

These permits were granted to Mosman on 9 December 2014 as part of the 2014 Block Offer, a sixteen-fold increase in the exploration area in NZ from 143 sq km to 2,317 sq km.

Officer Basin Project, Australia (Application)

Mosman has a 25% investment in the Officer Basin Project, a 22,527 sq. km large land holding with significant exploration potential, which lies in one of the more explored parts of the Basin with road access. The project area is in the Western Australian part of the Officer Basin and offers both conventional and unconventional potential with hydrocarbon shows reported and all elements of a petroleum system are present.

Amadeus Basin Projects, Australia

Mosman owns 100% of two granted permits and one application in the Amadeus Basin in Central Australia which total of 5,458 sq. km. The Amadeus Basin is considered one of the most prospective

onshore areas in the Northern Territory of Australia for both conventional and unconventional oil and gas, and hosts the producing Mereenie, Palm Valley and Surprise fields.

Otway Basin Project, Australia

Mosman owns 30% of VIC/P62 in the Otway Basin. The permit was recently renewed and is in relatively shallow water. The 70% permit holder funded a 3D seismic survey in 2013. The results of the 3D seismic survey are now being integrated into a geological model to allow identification and ranking of drilling targets. Within the Otway Basin there is commercial production both onshore and offshore.