

17 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. The Letter has a notice of variation re the extension of the Offer Period attached as well as setting out the key reasons why the Directors of Mosman believe MEO shareholders should accept the Offer as set out below:

17 March 2015

Mosman extends its takeover offer for MEO

- **Mosman encourages MEO shareholders to ACCEPT its offer, which as at the date of this letter represents a premium of 20% to MEO's share price.¹**
- **For MEO shareholders who accept the offer, Patersons Securities can assist with the sale of Mosman shares on London's AIM market if so required.**
- **MEO's Target's Statement highlights several areas of concern about MEO's solvency, a potential capital raising and its ability to fund exploration.**
- **Mosman calls on MEO to provide its shareholders with further details of its financial outlook and ability to continue as a going concern.**

Dear MEO Shareholder,

I am pleased to advise you that Mosman Oil and Gas Limited ("Mosman") has extended its off-market takeover offer for MEO Australia Limited ("MEO") by 45 days to allow additional time for MEO shareholders to assess Mosman's offer and return their acceptance forms.

Under Mosman's offer, Mosman is offering **one (1)** Mosman share for every **ten (10)** MEO shares. The offer will now remain open until **5.00pm (WST) on 8 May 2015**.

Mosman notes that, in MEO's Target's Statement dated 25 February 2015 ("Target's Statement"), the MEO directors cite a number of reasons why you should reject Mosman's offer. None of these claims stand up to even the most cursory scrutiny.

In Mosman's view, the Target's Statement also raises several areas of concern, particularly relating to MEO's financial position and its ability to continue as a going concern.

Mosman believes there are many reasons why MEO shareholders should accept Mosman's offer. Some of these relate to the attraction of Mosman's offer and others stem from serious concerns about MEO's financial outlook if it remains a standalone entity.

Key reasons to accept Mosman's offer include:

- 1. Mosman's offer has averaged a premium of 27% to MEO's share price since Mosman's Replacement Bidder's Statement was lodged on 10 February 2015 ("Bidder's Statement").**

¹ Mosman's last traded price on AIM on 13 March 2015 was £0.08 per share (A\$0.0156 per share based on an exchange rate of £1=A\$1.95) and MEO's last traded price on ASX on 13 March 2015 was \$0.013.

Contrary to the claims in the Target's Statement, Mosman's offer represents a significant premium and affords MEO shareholders the opportunity to recover some of the value of their investment, which has fallen in value by 95% over the past three years as MEO's market capitalisation has fallen from \$200 million to \$9.75 million as at the date of this letter².

Mosman's share price has strongly outperformed MEO's over the past 12 months. Mosman also enjoys excellent liquidity, with its daily average volume in the past 12 months exceeding A\$900,000 worth of shares, more than seven times that of MEO.³

2. If you accept Mosman's offer, you can easily transact your Mosman shares on the AIM market with the assistance of an Australian broking firm.

If you accept Mosman's offer, subject to the conditions of the offer set out in the Bidder's Statement either being satisfied or waived, you will receive **one (1)** Mosman share for every **ten (10)** MEO shares you hold. The implied value of Mosman's offer is A\$0.156 per MEO share, based on the last closing price of Mosman shares on 13 March 2015 and an exchange rate of £1=A\$1.95, **representing an average premium of 27% since the lodgement of the Bidder's Statement.**

It is important to note that, contrary to the claims in the Target's Statement, it is customary for any takeover offer to be subject to a number of conditions, many of which are legally required under the Corporations Act.

If you accept Mosman's offer, you will be issued Mosman shares on or before the earlier of one month after the offer is declared unconditional or 21 days after the close of the offer. You are then free to deal with these shares as you wish. Trading in AIM-listed securities such as Mosman shares is not difficult. Should you require assistance to re-arrange your shareholdings, Mosman has arranged for George Ogilvie of Patersons Securities in Perth, Australia to assist you. George's contact details are set out below:

Patersons Securities
George Ogilvie, International and Institutional Sales
Email: gogilvie@psl.com.au
Phone: +61-8 9263 1627

3. Mosman is focused on building a substantial mid-tier oil & gas company and creating value for its shareholders, built on a foundation of strong fiscal discipline, a demonstrated ability to raise capital on competitive terms and an impressive track record of exploration success.

Mosman has a clear vision to build a successful resources company with a diversified portfolio of assets in Australia and New Zealand. 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).

Contrary to the incorrect claims in the Target's Statement, Mosman is funded and has demonstrated a strong track record of being able to raise capital to support its exploration, project development and growth activities. Mosman has established strong support in London financial markets, as evidenced by the fact that it has successfully raised over A\$12 million via share placements in the past year alone.

² Source: Australian Securities Exchange.

³ Source: <http://au.advfn.com/>.

Coupled with this, Mosman has a strong track record of fiscal discipline and a commitment to keep corporate and administrative expenses to a minimum – in stark contrast to MEO, which has a very high level of corporate and administrative overheads by industry standards.

Mosman had over A\$2 million in cash at the date of the Bidder's Statement (10 February 2015), more than sufficient to cover its current operating requirements, and will raise additional funds as and when necessary to fund its ongoing activities, and those of the combined entity.

4. The Combined Entity will be stronger than MEO as a standalone entity.

In December 2014, MEO disclosed in its scheme booklet in respect to the scheme of arrangement with Neon Energy Limited ("Neon") various reasons why a merger with Neon would benefit MEO. Mosman believes that those reasons equally apply to a merger with Mosman, in particular:

- the combined entity will have a larger market capitalisation and be in a stronger financial position than MEO as a standalone entity;
- the combined entity, through Mosman's AIM listing, will benefit from an improved access to working capital and should also benefit from an increased likelihood of procuring additional institutional investors and broker research coverage;
- the combined entity will provide MEO shareholders with an exposure to Mosman's oil and gas projects, and therefore a larger and more diversified portfolio of oil and gas interests; and
- the combined entity will substantially reduce combined corporate overheads.

Serious concerns about MEO's financial position include:

- 1. In its Half-Year Report, MEO admitted that it may have insufficient cash to meet its planned exploration activity for the current year.**

MEO said it would attempt to resolve this problem by farming out or selling some of its exploration interests. MEO said it may also raise money via an equity issue and may suspend or cancel exploration permits.

- 2. MEO admitted in the Target's Statement that, due to its cash position, "there can be no assurances" that the company can undertake its planned activity without "future borrowings or capital raisings".**

Mosman believes MEO shareholders have a right to know what these "planned activities" include; what MEO's current cash and creditor position is; for how long MEO will have sufficient funding; what the implications are of MEO being unable to raise further funding; what the minimum work commitment for each permit is; and what the dilutive effect of any capital raising to meet these commitments would be.

- 3. MEO's Target's Statement fails to reveal the consequences should MEO's plan to secure joint venture partners for its exploration program not succeed.**

For example, this uncertainty was highlighted with respect to the WA-454-P Joint Venture, where MEO has a 20% exposure to a well commitment of US\$35 million excluding production testing. Mosman understands that this well is due to be drilled in the 2015/16 permit year commencing in June 2015, with the joint venture partner, Origin, seeking to drill the committed well in late 2015 to mid 2016. MEO recently advised it had applied to the Titles Administrator to vary the work program and defer this well commitment, noting there is no guarantee as to the outcome of these applications.

4. **MEO's Target's Statement fails to disclose a host of risks associated with MEO.**

These risks include its ability to continue as a going concern, its requirement for further funding in the short term to meet its exploration commitments, the dilutive effect of any capital raising and the options available to MEO if it fails to farm-out, secure JV partners or raise sufficient capital.

In conclusion, Mosman strongly encourages MEO shareholders to **ACCEPT** Mosman's offer and either:

1. exchange your MEO shares for shares in a growing mid-tier oil & gas company with exciting growth prospects, an experienced management team, the ability to access financial markets and a clearly defined plan for creating shareholder wealth; or
2. sell your Mosman shares on market and realise a substantial premium.

If you have misplaced your Acceptance Form or have any other questions relating to the takeover offer, please refer to the Bidder's Statement or contact the MEO Shareholder Information Line: 1300 889 468 (within Australia) or +61 2 8022 7902 (outside Australia).

Yours sincerely

MOSMAN OIL AND GAS LIMITED

JOHN W BARR

Executive Chairman

Please click here for link to Shareholder letter:

http://mosmanoilandgas.com/sites/mosmanoilandgas.com/files/files/Letters_to_MEO%20Shareholders_and_Notice_of_Variation.pdf

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:

Mosman Oil & Gas Limited

John W Barr, Executive Chairman

Andy Carroll, Technical Director

jwbarr@mosmanoilandgas.com

acarroll@mosmanoilandgas.com

SI Capital Limited (Joint Broker)

Nick Emerson/Andy Thacker

+44 (0) 1483 413500

ZAI Corporate Finance Limited (NOMAD)

Tom Price/John Simpson

+44 (0) 20 7060 2220

SP Angel Corporate Finance LLP (Joint Broker)

Stuart Gledhill / Richard Hail

+44 (0) 20 3470 0470

Gable Communications Limited

John Bick

+44 (0) 20 7193 7463

mosman@gablecommunications.com

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.