

MEO AUSTRALIA LIMITED

ABN 43 066 447 952

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Eighteenth Annual General Meeting of members of MEO Australia Limited (the **Company**) will be held in the Meeting Room of The Institute of Chartered Accountants, Level 3, 600 Bourke Street, Melbourne on Thursday 15 November 2012 at 10.30am.

ORDINARY BUSINESS

1. Financial Report

To receive and consider the Financial Report and the reports of the Directors and Auditors for the year ended 30th June 2012.

2. Adoption of Remuneration Report

To consider and, if thought fit, pass the following non-binding resolution as an ordinary resolution:

“That the Remuneration Report for the year ended 30th June 2012 be adopted.”

The Remuneration Report is set out on pages 17-25 of the 2012 Annual Report.

Note: that the vote on this resolution is advisory only and does not bind the directors of the Company.

3. Re-election of Director

To consider and, if thought fit, pass the following resolutions as ordinary resolutions:

- (a) “That Mr Michael Sweeney, who retires by rotation in accordance with rule 8.1(d) of the Company’s constitution, being eligible, be re-elected as a Director of the Company.”
- (b) “That Mr Stephen Hopley, who retires by rotation in accordance with rule 8.1(d) of the Company’s constitution, being eligible, be re-elected as a Director of the Company.”

SPECIAL BUSINESS

4. Approval of Long Term Incentive Plan – exception to ASX Listing Rule 7.1

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That the Long Term Incentive Plan, the terms and conditions of which are summarised in the Explanatory Memorandum to this Notice of Meeting, be approved and adopted by the Company and the issue of securities under the Long Term Incentive Plan be approved for all purposes including ASX Listing Rule 7.2, exception 9.”

5. Issue of Performance Rights to the Managing Director and Chief Executive Officer, Mr Jürgen Hendrich

To consider and, if thought fit, pass the following resolution as an ordinary resolution:

“That approval be given for all purposes, including ASX Listing Rule 10.14, for the grant to the Managing Director & Chief Executive Officer, Mr Jürgen Hendrich, of 1,050,000 performance rights under the Company’s Long Term Incentive Plan on the terms summarised in the Explanatory Memorandum to this Notice of Meeting.”

6. Renewal of proportional takeover provision in the constitution

To consider and, if thought fit, to pass the following resolution as a special resolution:

“That the proportional takeover provisions in rule 6 of the Company’s constitution be renewed for a further period of three years commencing from the date of the 2012 Annual General Meeting.”

Voting Exclusion Statements

For all resolutions that are directly or indirectly related to the remuneration of a member of the Key Management Personnel (**KMP**) of the Company (being resolutions in respect of Items 2, 4 and 5), the *Corporations Act 2001* (Cth) (**Corporations Act**) restricts KMP and their closely related parties from voting in some circumstances. 'Closely related party' is defined in the Corporations Act and includes a spouse, dependant and certain other close family members, as well as any companies controlled by the KMP.

In addition, a voting restriction applies in respect of Items 4 and 5 under the ASX Listing Rules.

If you intend to appoint a member of KMP as your proxy, please ensure you direct the proxy how to vote.

Item 2 – Adoption of Remuneration Report

The Company will disregard any votes cast (in any capacity) on Item 2 by or on behalf of a member of KMP named in the Company's Remuneration Report or that KMP's closely related party, unless the vote is cast by a person as proxy for a person entitled to vote on Item 2:

- in accordance with a direction on the proxy form; or
- by the Chairman of the Meeting in accordance with an express authorisation on the proxy form to vote as the proxy decides.

Item 4 - Approval of Long Term Incentive Plan – exception to ASX Listing Rule 7.1

The Company will disregard any votes cast on Item 4 by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme) and/or any of their associates, as well as any votes cast as a proxy on Item 4 by a member of KMP or a KMP's closely related party, unless the vote is cast as proxy for a person entitled to vote:

- in accordance with a direction on the proxy form; or
- by the Chairman of the Meeting in accordance with an express authorisation on the proxy form to vote as the proxy decides.

Item 5 – Issue of options to Managing Director & Chief Executive Officer, Mr Jürgen Hendrich

The Company will disregard any votes cast on Item 5 by a Director of the Company (except one who is ineligible to participate in any employee incentive scheme) and/or any of their associates, as well as any votes cast as a proxy on Item 5 by a member of KMP or a KMP's closely related party, unless the vote is cast as proxy for a person entitled to vote:

- in accordance with a direction on the proxy form; or
- by the Chairman of the Meeting in accordance with an express authorisation on the proxy form to vote as the proxy decides.

By order of the Board of MEO Australia Limited



Colin H. Naylor

Company Secretary

1 October 2012

2012 Annual Report

Members who elected not to receive a printed copy of the 2012 Annual Report can access the Annual Report at MEO's website address:

http://www.meoaustralia.com.au/page/Investor_Relations/Annual_Report/

NOTES

1. Voting information

- (a) All items will be determined on a show of hands, unless a poll is duly called on an item.
- (b) On a poll, Members have one vote for every fully paid ordinary share held. On a show of hands, every person present and qualified to vote has one vote and if one proxy has been appointed, that proxy will have one vote on a show of hands. If a shareholder appoints more than one proxy, and more than one proxy attends the meeting, neither proxy may vote on a show of hands, but both proxies will be entitled to vote on a poll in respect of those shares or voting rights the proxy represents.
- (c) A Member entitled to attend and vote at a Meeting is entitled to appoint not more than two proxies to attend and vote. Where more than one proxy is appointed, such proxy must be allocated a proportion of the Member's voting rights. If two proxies are appointed and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the member's votes.
- (d) If you are unable to attend the meeting, you are encouraged to appoint a proxy to attend and vote on your behalf.
- (e) A form of proxy accompanies this Notice and, to be effective, the form (and if the appointment is signed by the appointor's attorney, the original authority under which the appointment was signed or a certified copy of the authority) must be received by the registered office of the Company or by the Company's share registry at least 48 hours before the time appointed for the Meeting. Any proxy lodged after that time will be treated as invalid.
- (f) You can direct your proxy how to vote by following the instructions on the Proxy Form. Shareholders are encouraged to direct their proxy how to vote on each item of business.
- (g) You may appoint the Chairman of the Meeting as your proxy. In addition, the Chairman of the Meeting is deemed appointed where a signed proxy form is returned which does not contain the name of the proxy or where the person appointed on the form is absent. If a member directs the Chairman how to vote on an item of business, the Chairman must vote in accordance with the direction. For proxies without voting instructions that are exercisable by the Chairman, the Chairman intends to vote all available proxies in favour of each resolution.
- (h) Generally, members of the KMP (including the Chairman of the Meeting) and their closely related parties are not permitted to vote your proxy on Items 2, 4 and 5 unless you have directed them how to vote. If you intend to appoint a member of the KMP (such as one of the directors) as your proxy, please ensure you direct them how to vote on Items 2, 4 and 5. If you intend to appoint the Chairman of the Meeting as your proxy, you can direct him how to vote by marking the boxes on Items 2, 4 and 5 (for example, if you wish to vote for, against or abstain from voting). However, if the Chairman of Meeting is your proxy and you do not mark any of the boxes opposite Items 2, 4 and 5:
 - in relation to Item 2, he will still be able to exercise your proxy as by signing and returning the proxy form, you will be giving the Chairman of the Meeting your express authority to vote your proxy as the Chairman decides; and
 - in relation to Items 4 and 5, he will only be able to exercise your proxy if you mark the 'Chairman's voting box' in section 3 of the proxy form.

The Chairman of the Meeting intends to vote all available proxies in favour of each item of business.

- (i) A proxy duly appointed need not be a Member and may be an individual or body corporate. In the case of joint holders, either holder may sign.
- (j) If a member appoints a body corporate as a proxy, that body corporate will need to ensure that it:
 - (i) appoints an individual as its corporate representative to exercise its powers at the meeting, in accordance with section 250D of the Corporations Act; or
 - (ii) provides satisfactory evidence of the appointment of its corporate representative prior to commencement of the meeting.

If such evidence is not received prior to the commencement of the meeting, then the body corporate proxy (through its representative) will not be permitted to act as the Member's proxy.

- (k) Proxy and corporate appointment of representative forms may be returned to the Company in any of the following ways:
- (i) by delivery (by hand, mail, or facsimile) to the Company Secretary, MEO Australia Limited at its registered office:
 - Level 23
 - 500 Collins Street
 - Melbourne Vic 3000
 - Facsimile: **61+ 3 9614 0660**
 - (ii) by delivery (by hand, mail, or facsimile) to the MEO Australia Limited share registry:
 - Link Market Services Limited
 - Level 12
 - 680 George Street
 - Sydney NSW 2000
 - Facsimile: **61+2 9287 0309**
- (l) Corporate Members should comply with the execution requirements set out on the proxy form or otherwise comply with the provisions of Section 127 of the Act. Section 127 of the Act provides that a company may execute a document without using its common seal if the document is signed by:
- (i) 2 directors of the company; or
 - (ii) a director and a company secretary of the company; or
 - (iii) for a proprietary company that has a sole director who is also the sole company secretary - that director.
- (m) Completion of a proxy form will not prevent individual Members from attending the meetings in person if they wish. Where a Member completes and lodges a valid proxy form and then the Member attends the meeting in person, if the member votes on a resolution, their proxy is not entitled to vote, and must not vote, on that resolution.

Under regulation 7.11.37 of the *Corporations Regulations 2001* (Cth), the Directors have determined that the shareholding of each member for the purposes of ascertaining their voting entitlements at the Annual General Meeting will be as it appears in the share register at **7pm on Tuesday 13th November 2012**. Accordingly, share transfers registered after that time will be disregarded in determining entitlements to attend and vote at the Annual General Meeting.

EXPLANATORY MEMORANDUM

Shareholder approval of resolutions is required for the purposes of the ASX Listing Rules and the *Corporations Act 2001* (Cth) (**Corporations Act**). This Explanatory Memorandum has been prepared to provide you with material information to enable you to make an informed decision in relation to the business to be conducted at the Annual General Meeting of the Company.

ORDINARY BUSINESS

Item 1. Financial Report

The *Corporations Act 2001* (Cth) requires:

1. the reports of the Directors and Auditors; and
2. the Annual Report, including the financial statements of the Company for the fiscal year ended 30th June 2012,

to be laid before the Annual General Meeting. Neither the Corporations Act nor the Company's constitution require a vote of members on the reports or statements. However, members will be given a reasonable opportunity as a whole to ask questions about or make comments on the reports and in relation to the management of the Company.

Also, a reasonable opportunity will be given to members as a whole at the meeting to ask the Company's Auditor questions relevant to the conduct of the audit, the preparation and content of the Auditor's report, the accounting policies adopted by the Company in relation to the preparation of the financial statements and the independence of the Auditor in relation to the conduct of the audit.

Item 2. Remuneration Report

The Annual Report for the fiscal year ended 30 June 2012 contains a Remuneration Report, which forms part of the Directors Report and sets out details of the remuneration for each director and for each of the other key management personnel of the Company, in addition to describing Board policy in respect of remuneration, its relationship to the Company's performance, along with a detailed summary of any relevant performance conditions, why those particular conditions were chosen, and how performance is measured against them.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the meeting.

The Corporations Act requires listed companies to put an annual non-binding resolution to members to adopt the Remuneration Report. In line with the legislation, the vote on this resolution is advisory only, and is not binding on the Company or the Board, however the Board will have regard to the outcome of the vote and any discussion when setting the remuneration policies in future years.

A voting exclusion statement applies to this resolution as set out in the Notice of Meeting.

The Board recommends that members vote in favour of adopting the Remuneration Report.

*The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.*

Item 3. Re-election of Directors Michael Sweeney and Stephen Hopley

(a) Re-election of Michael Sweeney as a director

Mr Michael Sweeney is required to retire at this Annual General Meeting, and seeks re-election.

Further information in relation to Mr Sweeney is as follows:

Michael Sweeney LLB, FIAMA, FCIArb, Chartered Arbitrator, Non-Executive Director (Appointed 1 October 2008).

Michael Sweeney practices as a Barrister at the Victorian Bar, Melbourne, specialising in the fields of energy and resources law, joint ventures and generally in commercial and contract law. He also specialises in alternative disputes resolution, particularly arbitration both as qualified arbitrator and as counsel in arbitrations. He is a nationally accredited mediator.

Mr Sweeney was the senior managing executive (prior to this, general counsel and company secretary) of the Mitsubishi and Mitsui interests (MIMI) in the Australian North West Shelf (NWS) Gas Joint Venture from 1986 to 1996. He served as a member of the NWS Joint Venture Project Committee and was deputised to the Board of the North West Shelf LNG Shipping Company. He was a member of the Tokyo based Operating Committee responsible for overseeing MIMI's investments in Australia. Mr Sweeney is a member of the Remuneration and Nomination Committee and Audit Committee.

The Board (other than Mr Sweeney) recommends that members vote in favour of Item 3(a) to re-elect Mr Sweeney.

*The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.*

(b) Re-election of Stephen Hopley as a director

Mr Stephen Hopley is also required to retire at this Annual General Meeting, and seeks re-election.

Further information in relation to Mr Hopley is as follows:

Stephen Hopley, PhC(Vic), DipFP(Deakin), GMQ (AGSM), Non-Executive Director (Appointed 1 October 2008)

Mr Hopley had a 14 year career with Macquarie Bank from 1989 until his retirement in 2003. For the last 4 years of his career, Mr Hopley acted as Division Director of the Financial Services Group with responsibility for Advisor 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. Mr Hopley is Chairman of the Audit Committee and a member of the Remuneration and Nomination Committee.

The Board (other than Mr Hopley) recommends that members vote in favour of Item 3(a) to re-elect Mr Hopley.

*The Chairman of the Meeting intends to vote all available proxies **in favour** of this item of business.*

SPECIAL BUSINESS

Item 4 - Approval of Long Term Incentive Plan – exception to ASX Listing Rule 7.1

The Company is seeking shareholder approval of the Company's Long Term Incentive Plan (Plan).

ASX Listing Rule 7.1 prohibits an entity from issuing more than 15% of its securities in any 12 month period, without obtaining shareholder approval (unless an exception applies).

ASX Listing Rule 7.2, Exception 9, provides that shareholder approval is not required for an issue under an employee incentive scheme if, within 3 years before the date of the issue, holders of ordinary securities have approved the issue of securities under the scheme as an exception to ASX Listing Rule 7.1.

Accordingly, shareholders are being asked, pursuant to ASX Listing Rule 7.2, Exception 9, to approve issues of securities under the Plan (the terms and conditions of which are summarised below) as an exception to ASX Listing Rule 7.1.

A summary of the rules of the Plan is set out below. The Plan rules set out the general terms under which equity grants will be made. An equity grant under the Plan is subject to both the Plan rules and the terms of the specific grant as set out in an individual participant's offer documents.

Overview of the Plan

The Plan was adopted by the Board on 13 September 2011.

Under the Plan, the Board may invite Eligible Executives (being an employee of the MEO Group (including a director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of LTI Securities under the Plan) to participate in a grant of LTI Securities, which may comprise performance rights and/or options. Offers will be made on the terms set out in the Plan and on any additional terms as the Board determines.

Options and/or performance rights granted under the Plan will only vest, and in the case of options, become exercisable, where any performance condition and any other relevant conditions advised to the participant by the board have been satisfied.

On vesting of a performance right or following the exercise of an option (as the case may be), the Board will allocate the number of shares in respect of which the performance right have vested, or the options have been exercised. Any shares issued under the Plan will rank equally in all respects with other shares on issue at that time (except as regards any rights attaching to such shares by reference to a record date prior to the date of their issue).

Under the terms of the Plan:

- where a participant ceases to be an employee of the Group, that participant's LTI Securities will continue to be held by the participant and continue to be subject to the Plan Rules and the relevant conditions advised to the participant by the Board except that any continuous service condition will be deemed to have been waived;
- notwithstanding the above, the board may determine (in its absolute discretion) that some or all of a participants LTI Securities will:
 - vest or become exercisable,
 - are only exercisable for a prescribed period and will otherwise lapse;
 - continue to be subject to some or all of the performance conditions; or
 - lapse on the date of cessation of employment,either prior to or within 60 days after a participant ceases to be an employee of the Group.

In the event of a takeover, a scheme of arrangement, other reconstruction or amalgamation of the Company, a winding up of the Company or other event which is likely to result in a change of control of the Company, the Board may, in its absolute discretion, determine that all or a specified number of a participant's unvested performance rights and/or options vest, having regard to all relevant circumstances, including whether performance is in line with any applicable performance condition over the period from the date of grant to the relevant event, and the portion of any applicable performance period or period of service that has expired at the date of the relevant event. Unless the Board determines otherwise, any vested options will be exercisable for a period specified by the Board and will lapse if not exercised within the specified period.

In accordance with the terms of the Plan, prior to the allocation of shares to a participant upon vesting of performance rights or exercise of options (as the case may be), the Board may make any adjustments it considers appropriate to the terms of a performance right and/or option granted to a participant in order to minimise or eliminate any material advantage or disadvantage to a participant resulting from a corporate action or capital reconstruction. Without limiting the foregoing, if:

- shares are issued pro rata to the Company's shareholders generally by way of a bonus issue (other than an issue in lieu of dividends or by way of a dividend reimbursement) involving capitalisation of reserves of distributable profits;
- shares are issued pro rata to the Company's shareholders generally by way of a rights issue; or
- any reorganisation (including consolidated, subdivision, reduction or return) of the issued capital of the Company is effected,

then the Board may, in its discretion, adjust:

- the number of performance rights or options to which each participant is entitled;
- the number of shares to which each participant is entitled upon vesting of performance rights or exercise of options;
- any amount payable on vesting of the performance rights or exercise of options; or
- where appropriate, a combination of the above,

in the manner determined by the Board, having regard to the ASX Listing Rules and the general principle set out above. Where additional performance rights or options are granted to a participant, such performance rights or options will be subject to the same terms and conditions as the original performance rights or options granted to the participant (including any performance conditions) unless the Board determines otherwise.

Other Information

- The Plan has not been previously approved by shareholders. As at the date of this Notice of Meeting there have been 14,755,000 options issued to Eligible Executives under the Plan. There have been no other securities issued to Eligible Executives.
- A voting exclusion statement applies to Item 4 as set out in the Notice of Meeting.

The Board recommends that shareholders vote in favour of Item 4.

*The Chairman of the Meeting intends to vote all available proxies **in favour** of Item 4.*

Item 5. Issue of performance rights to the Managing Director & Chief Executive Officer, Mr Jürgen Hendrich

In accordance with ASX Listing Rule 10.14, shareholder approval is being sought for the proposed grant of 1,050,000 performance rights to the Company's Managing Director & Chief Executive Officer, Mr Jürgen Hendrich under the Company's Long Term Incentive Plan (Plan) on the terms set out below.

The Directors have considered competitive practice in the oil and gas industry as to the level and structure of the Managing Director & Chief Executive Officer's remuneration and have concluded that the proposed issue of performance rights on the terms set out in this Notice is appropriate in the circumstances.

The Board considers it appropriate that Mr Hendrich be provided performance rights to ensure that the remuneration paid by the Company to the Managing Director & Chief Executive Officer is competitive in comparison to its peers and enables the Company to attract and retain high calibre executives. The awarding of share options/performance rights is a common and simple mechanism for providing a strong incentive for the Managing Director & Chief Executive Officer to grow the market value of the Company to the advantage of shareholders. For these proposed performance rights to have any value in the hands of the Managing Director & Chief Executive Officer, the share price will have to effectively double in 2012/13, triple by 2013/14 and quadruple by 2014/15 (compared to the Company's share price on 2 July 2012 of \$0.255).

If shareholder approval is obtained, it is intended that the performance rights will be issued shortly after the annual general meeting, but in any event no later than 12 months after the meeting or any adjournment of the meeting.

An overview of the terms of the Plan is set out above in the discussion relating to Item 4. The specific terms of the performance rights to be issued to Mr Hendrich are detailed below.

Specific terms applicable to the proposed grant to the Managing Director & Chief Executive Officer, Mr Jürgen Hendrich

- Mr Hendrich will be granted 1,050,000 performance rights in 3 equal tranches as follows:

Tranche	Performance Condition (share price hurdle)	Service Condition
Tranche 1 - 350,000 performance rights for 2012/2013.	The MEO share price achieving a Volume Weighted Average Price (VWAP) of 50 cents for 30 continuous trading days in the period 1st July 2012 – 30th June 2013.	Mr Hendrich holding the position of Chief Executive Officer at 30 June 2013.
Tranche 2 - 350,000 performance rights for 2013/2014.	The MEO share price achieving a Volume Weighted Average Price (VWAP) of 75 cents for 30 continuous trading days in the period 1st July 2013 – 30th June 2014.	Mr Hendrich holding the position of Chief Executive Officer at 30 June 2014.
Tranche 3 - 350,000 performance rights for 2014/2015.	The MEO share price achieving a Volume Weighted Average Price (VWAP) of \$1.00 for 30 continuous trading days in the period 1st July 2014 – 30th June 2015.	Mr Hendrich holding the position of Chief Executive Officer at 30 June 2015.

- Each performance right entitles the holder to 1 fully paid ordinary share in the Company.

The Company's share price as at 2 July 2012 was \$0.2555. As discussed above, for the Managing Director & CEO to derive any benefit from these performance rights the MEO share price needs to effectively double in 2012/13, triple by 2013/14 and quadruple by 2014/15. In the Board's view this represents a challenging increase to the Company's prevailing share price and assists to align a significant proportion of the Managing Director & Chief Executive Officer's remuneration with shareholder value creation. Given that the Company does not currently pay dividends, growth in the Company's share price is a strong indication of growth in shareholder value.

Other Information

- The Managing Director & Chief Executive Officer (Mr Jürgen Hendrich) and each of the Non-Executive Directors (Messrs Nicholas Heath, Stephen Hopley, Gregory Short and Michael Sweeney) are currently the only directors entitled to participate in the Plan.
- The performance rights will be issued to the Managing Director & Chief Executive Officer at no cost to him.
- The Managing Director & Chief Executive will not receive any loan in relation to the vesting of any performance rights.
- Grants of LTI Securities that have been made under the Plan since the last approval to the Managing Director & Chief Executive Officer and the Non-Executive Directors, as approved by members at the Annual General Meeting 2011 are as follows:

- (a) Mr Hendrich was granted 3,000,000 options at no cost, divided into 3 equal tranches of 1,000,000 options each as follows:

Tranche	Vesting date	Exercise price
Tranche 1 (1,000,000 options)	1 July 2012	50 cents
Tranche 2 (1,000,000 options)	1 July 2013	50 cents
Tranche 3 (1,000,000 options)	1 July 2014	50 cents

- (b) Each of Messrs Heath, Hopley, Short and Sweeney was granted 900,000 options at no cost, divided into 3 equal tranches of 300,000 options each as follows:

Tranche	Vesting date	Exercise price
Tranche 1 (300,000 options)	27 October 2012	50 cents
Tranche 2 (300,000 options)	27 October 2013	50 cents
Tranche 3 (300,000 options)	27 October 2014	50 cents

Further details regarding these grants are provided in the Company's remuneration report.

- If shareholders do not approve the proposed grant of performance rights to the Managing Director & Chief Executive Officer, the Company will need to consider other means of providing a long term incentive for the Managing Director & Chief Executive Officer, including providing a benefit to him in the form of cash or securities purchased on-market.
- A voting exclusion statement applies to Item 5 as set out in the Notice of Meeting.
- The ASX requires, under ASX Listing Rule 10.14, that shareholders approve the grant of new securities to a director. Approval is being sought to allow the Company flexibility to either issue new shares or to purchase shares on-market for allocation to the Managing Director & Chief Executive Officer upon vesting of the performance rights. It is the Company's current intention to issue new shares to the Managing Director & Chief Executive Officer upon vesting of the performance rights.

The Board (other than Mr Hendrich) recommends that shareholders vote in favour of Item 5.

*The Chairman of the Meeting intends to vote all available proxies **in favour** of Item 5.*

Item 6. Renewal of proportional takeover provisions in the constitution

Rule 6 of the Company's constitution currently contains provisions dealing with proportional takeover bids for MEO Australia Limited shares in accordance with the Corporations Act. Under the Corporations Act, the provisions must be renewed every three years, or they will cease to have effect. The current provisions will automatically cease to have effect on 18 November 2012, and accordingly it is proposed to renew them in the constitution. If renewed, rule 6 will operate on the same basis as the existing rule 6 for a period of three years from the date of the Annual General Meeting. The Corporations Act requires that the following information be provided to shareholders when they are considering the renewal of proportional takeover provisions in a constitution.

In order to deal with this possibility, a company may provide in its constitution that:

- in the event of a proportional takeover bid being made for shares in the company, members are required to vote by ordinary resolution and collectively decide whether to accept or reject the offer; and
- the majority decision of the company's members will be binding on all individual members.

The Directors consider that members should be able to vote on whether a proportional takeover bid ought to proceed given such a bid might otherwise allow control of the Company to change without members being given the opportunity to dispose of all of their shares for a satisfactory control premium. The Directors also believe that the right to vote on a proportional takeover bid may avoid members feeling pressure to accept the bid even if they do not want it to succeed.

What is the effect of the proportional takeover approval provisions?

If a proportional takeover bid is made, the Directors must ensure that members vote on a resolution to approve the bid more than 14 days before the bid period closes. The vote is decided on a simple majority. Each person who, as at the end of the day on which the first offer under the bid was made, held bid class securities is entitled to vote. However, the bidder and its associates are not allowed to vote. If the resolution is not passed, transfers which would have resulted from the acceptance of a bid will not be registered and the bid will be taken to have been withdrawn. If the bid is approved (or taken to have been approved) the transfers must be registered if they comply with the Corporations Act and the Company's constitution. The bid will be taken to have been approved if the resolution is not voted on within the deadline specified under the Corporations Act. However, the Directors will breach the Corporations Act if they fail to ensure the approving resolution is voted on.

The proportional takeover approval provisions do not apply to full takeover bids, and only apply for three years after the date they are renewed. The provisions may be renewed or reinserted upon the expiry of the initial three-year period, but only by a special resolution passed by members.

Potential advantages and disadvantages

While the renewal of Rule 6 will allow the Directors to ascertain members' views on a proportional takeover bid, it does not otherwise offer any advantage or disadvantage to the Directors who remain free to make their own recommendation as to whether the bid should be accepted.

The provisions in Rule 6 ensure that all members have an opportunity to study a proportional bid proposal and vote on the bid at a general meeting. This is likely to ensure a potential bidder structures its offer in a way which is attractive to a majority of members, including appropriate pricing. Similarly, knowing the view of the majority of members may help individual members assess the likely outcome of the proportional takeover when determining whether to accept or reject the offer.

However, it is also possible that the inclusion of such provisions in the constitution may discourage proportional takeover bids and may reduce any speculative element in the market price of the Company's shares arising from the possibility of a takeover offer being made. The inclusion of the provisions may also be considered to constitute an unwarranted additional restriction of the ability of members to freely deal with their shares. The Board considers that the potential advantages for members of the proportional takeover approval provisions outweigh the potential disadvantages. As at the date on which this statement was prepared, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

The Board recommends that shareholders vote in favour of the renewal of the proportional takeover provision in rule 6 of the Company's constitution.

*The Chairman of the Meeting intends to vote all available proxies **in favour** of Item 6.*

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