



MEO Australia Limited

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8th October 2010
Mr Dean Litis
Principal Advisor, Issuers
ASX Compliance Pty Limited
Level 45, Rialto South Tower
525 Collins Street
Melbourne VIC 3000

By Email: dean.litis@asx.com.au

Dear Dean,

Re: Price query

We refer to your correspondence received yesterday afternoon (7th October 2010) in relation to the price increase in our stock from a closing price of 49 cents on Wednesday 6th October 2010 to an intra-day high of 55 cents on Thursday 7th October 2010 (closing at 53.5 cents), accompanied by above normal trading volumes.

MEO makes the following responses to your specific numbered points:

1. The Company is not aware of any information that has not already been announced to the market.
2. Not applicable.
3. It is likely that MEO's operating result for the financial half year ended 31 December 2010 will vary by more than 15% compared to the operating result for the previous corresponding period due to a potential gain arising from the disposal of the 50% interest in exploration permit WA-360-P to Petrobras.

In accordance with MEO's accounting policy for Farm-outs, the cash consideration received from Petrobras will be credited against costs previously capitalised in relation to the area of interest with any excess to be accounted for by the Group as a gain on disposal.

At 30 June 2010, MEO had capitalised exploration costs for WA-360-P of approx \$12m which together with any expenditure incurred by MEO relating to WA-360-P during the six months to 31 December 2010 is expected to be more than offset by proceeds of approx AUD\$41M (approx US\$39m) from Petrobras. The excess of proceeds over capitalized costs will be to be accounted for as a gain on disposal.

4. There is no reason, at this point in time, to think that MEO will record any material abnormal or extraordinary item for the half year ended 31 December 2010.
5. The Company notes the rise in the share price and significant turnover on Thursday 6th October 2010 and offers the following possible explanation for this increase.

The Company has recently made positive announcements in relation to the Petrobras farm-in to WA-360-P and preparations for drilling the Artemis-1 exploration well in WA-360-P which include:

- The Company advised that all Australian regulatory approvals have been received in relation to the Petrobras farm-in to exploration permit WA-360-P. MEO has subsequently invoiced Petrobras for the cash bonus (US\$31.5m) and seismic related back costs (approx US\$7.5m).
 - The Company advised that the Site-Survey over the Artemis-1 well location was completed.
 - The Company advised it had executed a contract securing the Songa Venus to drill the Artemis-1 prospect.
 - The Company had previously reported that the drilling of the Artemis-1 exploration well was expected to commence in November 2010, subject to timely handover of the Songa Venus drill rig from the current rig operator. The Company advises there has been no material change in the timing of the handover of the Songa Venus drill rig.
6. We confirm that to the best of our knowledge, the Company is in full compliance with the listing rules and, in particular, listing rule 3.1.

We trust these explanations satisfy your query.

Yours sincerely,



Colin H Naylor
Chief Financial Officer and Company Secretary
MEO Australia Limited



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7 October 2010

Mr Colin Naylor
Director & Company Secretary
MEO Australia Limited

By email only

Dear Colin

MEO Australia Limited ("Company")- Price Query

We have noted a change in the price of the Company's securities from 49 cents at close of trading yesterday, 6 October 2010, to a high of 55 cents today (closing at 53.5 cents). We have also observed larger than normal volumes of trades during this period.

In light of the price change and increase in trading volumes, please respond to each of the following questions.

1. Is the Company aware of any information concerning it that has not been announced which, if known, could be an explanation for recent trading in the securities of the Company?

Please note that as recent trading in the Company's securities could indicate that information has ceased to be confidential, the Company is unable to rely on the exceptions to listing rule 3.1 contained in listing rule 3.1A when answering this question.

2. If the answer to question 1 is yes, can an announcement be made immediately? If not, why not and when is it expected that an announcement will be made?

Please note, if the answer to question 1 is yes and an announcement cannot be made immediately, you need to contact us to discuss this and you need to consider a trading halt (see below).

3. Is there any reason to think that there may be a change in the operating loss before abnormal items and income tax so that the figure for the half year ending 31 December 2010 would vary from the previous corresponding period by more than 15%? If so, please provide details as to the extent of the likely variation.
4. Is there any reason to think that the Company may record any material abnormal or extraordinary items for the half year ended 31 December 2010? If so, please provide details.
5. Is there any other explanation that the Company may have for the price change and increase in volume in the securities of the Company?

Australian Securities Exchange

Australian Stock Exchange
Sydney Futures Exchange

Australian Clearing House
SFE Clearing Corporation

ASX Settlement and Transfer Corporation
Austraclear

6. Please confirm that the Company is in compliance with the listing rules and, in particular, listing rule 3.1.

Your response should be sent to me by e-mail at dean.litis@asx.com.au. It should not be sent to the Company Announcements Office.

Unless the information is required immediately under listing rule 3.1, a response is requested as soon as possible and, in any event, not later than half an hour before the start of trading (i.e. before **9.30 a.m. AEDST**) on **Friday 8 October 2010**.

Under listing rule 18.7A, a copy of this query and your response will be released to the market, so your response should be in a suitable form and separately address each of the questions asked. If you have any queries or concerns, please contact me immediately.

Listing rule 3.1

Listing rule 3.1 requires an entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. The exceptions to this requirement are set out in listing rule 3.1A.

In responding to this letter you should consult listing rule 3.1 and Guidance Note 8 – Continuous Disclosure: listing rule 3.1.

If the information requested by this letter is information required to be given to ASX under listing rule 3.1 your obligation is to disclose the information immediately.

Your responsibility under listing rule 3.1 is not confined to, or necessarily satisfied by, answering the questions set out in this letter.

Trading halt

If you are unable to respond by the time requested, or if the answer to question 1 is yes and an announcement cannot be made immediately, you should consider a request for a trading halt in the Company's securities. As set out in listing rule 17.1 and Guidance Note 16 – Trading Halts, we may grant a trading halt at your request. We may require the request to be in writing. We are not required to act on your request. You must tell us each of the following.

- The reasons for the trading halt.
- How long you want the trading halt to last.
- The event you expect to happen that will end the trading halt.
- That you are not aware of any reason why the trading halt should not be granted.
- Any other information necessary to inform the market about the trading halt, or that we ask for.

The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted. If a trading halt is requested and granted and you are still unable to reply to this letter before the commencement of trading, suspension from quotation would normally be imposed by us from the commencement of trading if not previously requested by you. The same applies if you have requested a trading halt because you are unable to release information to the market, and are still unable to do so before the commencement of trading.

If you have any queries regarding any of the above, please let me know.

Yours sincerely

[Sent electronically, without signature]

Dean Litis
Principal Adviser
Issuers, Melbourne