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**ASX RELEASE**

**HERON-2 WELL UPDATE**

MELBOURNE, AUSTRALIA (January 8, 2008) -- MEO Australia Limited (ASX: MEO) advises the market that Cyclone Helen interrupted testing operations for approximately 48 hours and the joint venture partners are now continuing to test the Elang/Plover formation in the Heron-2 well.

The following table summarizes the interpreted geological sections below the 7 inch casing shoe.

<b>Interpreted Sections</b>	<b>Drilled depth (m)</b>	<b>Thickness (m)</b>	<b>Mud log observations</b>	<b>Relative mud losses</b>
Elang sand	3946 - 3961	15	Dry gas, high CO2	Low
Elang shale	3961 - 3980	19	N/A	N/A
Upper Plover sand	3980 - 4081	101	Wet gas, nil CO2	Medium
Plover siltstone	4081 - 4119	38	N/A	N/A
Lower Plover sand	4119 - 4182 (current TD)	63	Wet gas, nil CO2	High
Estimated GWC and mapped spill point	4260m			

To date, only the Elang sand (15m) is believed to have flowed gas to surface. As observed on the mud gas logs through this section where only methane (C1) and carbon dioxide (CO<sub>2</sub>) was recorded, the recovered gas is dry and high in CO<sub>2</sub>. The preliminary maximum flow rate through a 26/64 inch choke in this poor quality Elang sand was estimated at 6 MMscf/day.

The mud gas logs through the better quality Plover formation sands (164m) recorded high values of C1 to C5, indicative of wet gas readings, and no CO<sub>2</sub>. While drilling the Plover formation, the well experienced the most significant losses of synthetic based mud (SBM) (1,180 bbls) in zones of extensive fracturing. Subsequent LCM (loss circulation material) treatment stopped the excessive mud losses but effectively inhibited the Plover formation's permeability.

Based on the inhibited Plover permeability, the quality of the produced gas and the volume of drilling fluids recovered on testing, the well test consultants believe that only the Elang sand has so far contributed to the current gas flow.

The Elang sand appears to be isolated from the underlying Plover sands by the Elang shale unit, which would explain the significant difference in mud gas readings, pore pressure variation and possible gas quality.

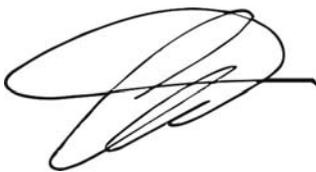
The rig progressed with well clean-up activities, particularly focussing on the Plover sands where the LCM treatment appeared to have blocked the permeable fracture zones. The rig recovered the production test string and ran into the hole with drilling pipe and a 2<sup>3</sup>/<sub>8</sub> inch stinger passing through the packer in the 7 inch liner in order to reach and clean the bottom of the borehole. A blockage has been encountered at the base of the Elang formation, at the transition of the 8<sup>1</sup>/<sub>2</sub> inch and 6 inch hole, possibly a combination of cement plug material, collapsed siltstone, SBM and LCM. This blockage in combination with the LCM treatment of the Plover is now believed to have stopped the Plover sands from flowing.

**Forward plans:**

The substantial losses of the expensive and limited onboard stock of synthetic based mud in the lower Plover sands caused the premature cessation of drilling. The rig will now mill out the packer and drilling will resume to sidetrack around the blockage (at 4025m) to drill a fresh Plover sand section and to deepen into the better sands observed in the lower Plover. The well will be drilled with a water based mud and lower mud weight (to reduce the risk of further mud losses). At the completion of drilling, a slotted 4<sup>1</sup>/<sub>2</sub> inch liner will be run and the Plover formation will be production tested.

At the completion of the Plover test, the well will be plugged back to the base Darwin formation, the 9<sup>5</sup>/<sub>8</sub> inch casing will be perforated and the gas charged zones of the Epenarra structure will be production tested.

MEO remains optimistic that a significant, quality hydrocarbon resource is present in the Plover formation and believes that based on regional geological correlations and 3D seismic interpretation, further good quality gas saturated sands, remain to be drilled below the current TD (4182m) at this location.



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