MEO Australia Limited
ABN 43 066 447 952

Level 17
500 Collins Street
Melbourne Victoria 3000 Australia

Tel: (+61 3) 9614 0430
Fax: (+61 3) 9614 0660
Email: admin@meoaustralia.com.au
Website: www.meoaustralia.com.au

ASX AND MEDIA RELEASE

HERON-2 WELL UPDATE

Key Points:

- **Epenarra Darwin production test unsuccessful**
- **Joint Venture reviewing option to P&A or suspend Heron-2**
- **Positive findings support eventual further testing of Heron North Plover sands**
- **Joint venture currently selecting next well location**
- **Gas recovery from Elang sands warrants Retention Licence application**

MELBOURNE, AUSTRALIA (January 21, 2008) -- MEO Australia Limited (ASX: MEO) advises the market that the production testing of the Epenarra Darwin formation in the Heron-2 well failed to produce hydrocarbons to the surface.

The Darwin formation was perforated and treated with two acid wash procedures, which are often required to produce from fractured carbonate reservoirs. Despite this, and the evidence from electric logs of the presence of some significant fractures in the perforated section, the well failed to flow to the surface.

As previously advised the joint venture remains optimistic that a significant hydrocarbon resource was encountered in the Heron North Plover formation. The Heron-2 well provided sufficient modern log data to indicate that a good quality conventional sandstone reservoir and hydrocarbon resource is present warranting further drilling and production testing. However, before commencing detailed planning of future drilling to test Heron North, a number of geoscientific studies based on the Heron-2 data are essential. Given the positive indications to date, the joint venture is currently considering the suspension of Heron-2 to allow re-entry at a later date to re-drill the Plover formation in Heron North.

Open-hole production testing of the Elang/Plover formation commenced on January 3, 2008. While it has been confirmed that the Plover sands did not contribute to the recorded flow due to blockages in the well immediately above the formation, the Elang sands did flow gas to surface at a maximum rate exceeding 6 MMscf/day. This hydrocarbon flow to surface supports an application for a retention licence application over the Heron North structure to secure the resource until further appraisal can be completed. An application is under consideration by the joint venture partners.

The joint venture is presently reviewing the Heron-2 data before selecting the second well location, which will be drilled next. Three sites have been approved by the authorities, including Heron-3B which targets the Darwin formation significantly down-dip from Heron-2, Heron- 3C which targets the Heron South structure expected to contain similar quality Plover reservoirs as Heron-2, and the wildcat Blackwood-1 which also has Plover reservoirs as its target.

Heron-2 was drilled by Seadrill's West Atlas jack-up rig contracted to MEO for two firm wells. The Heron-2 well was designed as a vertical well to penetrate and production test the Epenarra Darwin Formation and the deeper Elang/Plover Formation of the Heron North structure.

The participants in the well and permit are:

TSP Arafura Petroleum Pty Ltd (MEO subsidiary)	45%
Oz-Exoil Pty Ltd (MEO subsidiary)	45%
Petrofac Energy Developments Oceania Ltd (Petrofac Limited subsidiary)	10%

C.R. Hart, Managing Director
MEO Australia Limited
NT/P68 Operator

West Atlas flaring gas during Elang production test