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ASX & Media Release

Tassie Shoal Methanol Project Update

Key Points:

- MEO signs Letters of Intent with shortlisted potential long term methanol buyers
- Shortlisted buyers' demand exceeds the capacity of the first Tassie Shoal Methanol Plant
- Discussions continuing on broader strategic partnerships across the value chain
- MEO in discussions with a potential $TSMP_1$ major equity participant and operator

MELBOURNE, AUSTRALIA (**6th February, 2013**)

MEO Australia Limited (ASX: **MEO**; OTCQX: **MEOAY**) provides the following update in relation to the commercialisation progress of the first Tassie Shoal Methanol Plant ("**$TSMP_1$**").

Since MEO received Expressions of Interest in April, 2012 for long term supply of 8.3MTA of methanol from $TSMP_1$*, indicative commercial terms including methanol pricing were provided by the major industry participants. Subsequent evaluation of these proposals has resulted in a short list of three preferred buyers with whom non-binding Letters of Intent (LOI) have been executed. The maximum total shortlisted demand exceeds the total supply capacity from $TSMP_1$ with final quantities to be aligned with MEO's equity supply available from $TSMP_1$.

The shortlisted buyers are major participants in the methanol market with a strong focus on expanding their Asian businesses. The LOI's provide the basis for the parties to further develop commercial terms for the sales and purchase of methanol from $TSMP_1$ with a view to maturing these LOI's towards binding Methanol Sale and Purchase Agreements.

Discussions with interested parties on broader strategic partnerships across the value chain including the acquisition of equity in $TSMP_1$ are continuing in parallel. In this regard, MEO is developing a commercial relationship with an Asian industry participant on a non-exclusive basis for the purpose of developing $TSMP_1$. The Asian industry participant is a multinational corporation with broad business interests including in upstream E&P, downstream chemicals and international trading businesses and is considering taking a majority interest in, and assuming operatorship of, the $TSMP_1$ midstream development.

MEO's Executive Manager Business Development Robert Zammit commented:

"$TSMP_1$ represents a globally competitive methanol manufacturing facility and an opportunity for shortlisted buyers and potential equity partners to be foundation participants. As we mature the revenue side of the commercial supply chain and consider possible $TSMP_1$ equity structures, we will sharpen our focus on the gas supply alternatives, including engaging with regional resource owners to present the $TSMP_1$ development scenario for their consideration."

** see ASX release 12/4/2012 – Tassie Shoal Methanol Project Expressions of Interest*

Tassie Shoal Methanol Project
(MEO 100%)

Project Overview

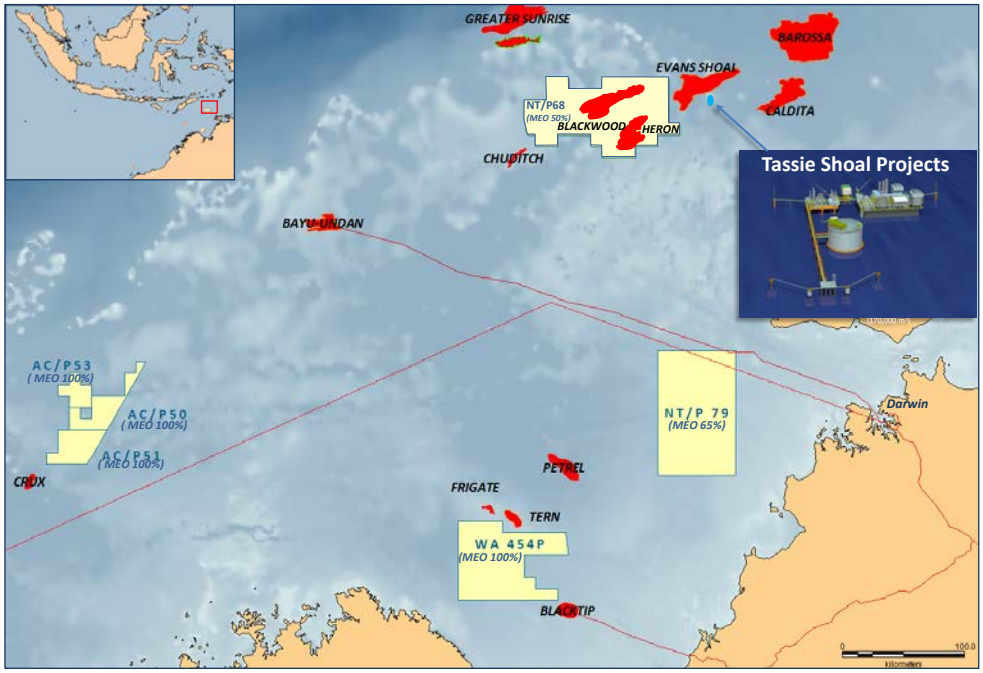
The Tassie Shoal Methanol Project ("TSMP") combines established proven technology in an innovative way to produce methanol from high CO_2 feedstock gas. By designing for high CO_2 in the feedgas stream, TSMP avoids the need for expensive separation, transportation and geo-sequestration costs in alternative LNG or domestic sales gas development scenarios.

The TSMP design marries proven technologies of a concrete gravity structure (CGS) with topsides processing based on Davy Process Technology Steam Methane Reforming (SMR) technology.

For each TSMP, feedgas of between 180 - 220 million standard cubic feet per day (MCFD) is required, depending upon CO_2 content, to enable the production of 5000 tonnes of methanol per day or 1.75million tonnes of methanol per annum.

Location Map

Central located to regional high CO_2 feedstock gas



The location is adjacent to many undeveloped gas resources in the region including the Blackwood and Heron discoveries in the nearby NT/P68 exploration permit (MEO 50%) and is approximately 400kms from MEO's 100% owned WA-454P permit.

Key Project Metrics

Single module construction in a low cost SE Asian location

- Water Depth: ~15m
- Plant Capacity (each): 1.75MTA
- Single Module Construction
- Platform: Concrete Gravity Structure
- Technology: Davy Process Technology
- Offloading: Single Point Mooring
- Gas feed assumption: 10-30% CO_2
- Storage: 20 days production within CGS
- Fabrication Location: South East Asia - TBC

Designed by Industry Leaders

Designed by the World's Leading Experts

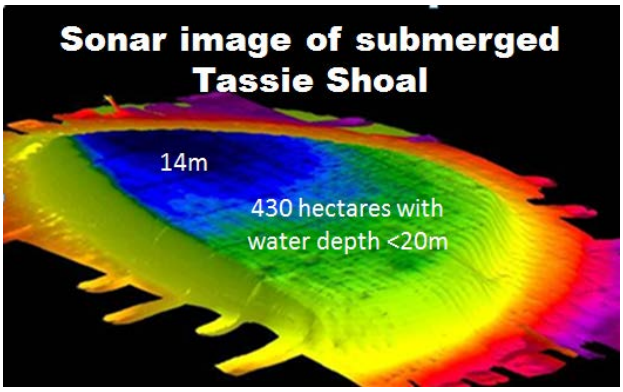
The TSMP has been designed in conjunction with leading industry experts including Davy Process Technology (topsides), Arup (substructure) and WorleyParsons (utilities and integration).

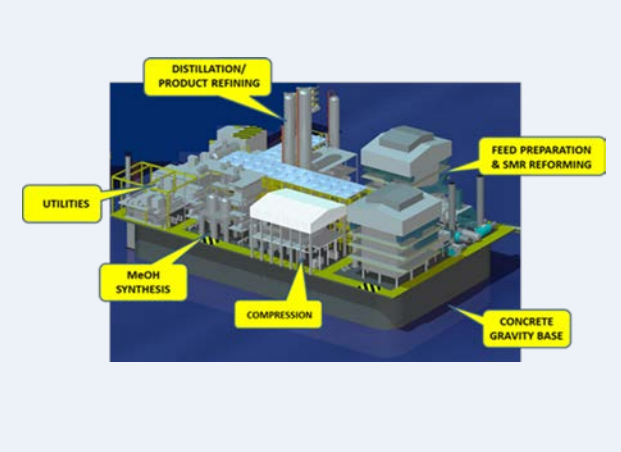
Competitive Advantage – single module construction

TSLNG design embeds a number of key competitive advantages when compared to onshore or floating alternatives:

Competitive advantages result in globally competitive cost outcomes

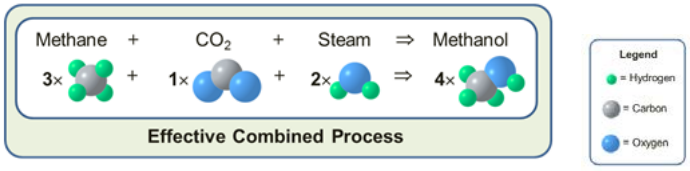
- Shallow water development site at Tassie Shoal
- Benign metocean conditions
- Facilities to be located on sea floor, avoiding floating complexities, motion issues
- Accepts up to 30% CO_2 in the feedgas stream
- Proximal to regional high CO_2 resources, avoiding long pipelines
- World-scale capacity based on DPT SMR process
- CGS and plant topsides to be constructed in a single module in a casting basin and wet towed to site then ballasted directly onto sea floor
- Construction at a low cost SE Asian site





CO_2 is utilized in the chemical process

The ability to accept up to 30% CO2 in the feedgas stream provides feedstock flexibility over the TSMP life.



Environmental Approvals

Approvals in place

MEO has secured Federal Government Environmental Approvals for two methanol plants to be located at Tassie Shoal. TSMP project was assessed by the Federal Government under the Environment Protection and Biodiversity Conservation Act 1999 and Environmental Approval was granted in 2002. The approval is valid until 2052.

Major Project Facilitation Status

MPF granted

The project has been granted Major Project Facilitation (MPF) status by the Federal Government Department of Infrastructure and Transport. The Australian government grants Major Project Facilitiation (MPF) status to projects that meet strict criteria. The MPF service endeavours to ensure that Commonwealth approval processes are coordinated with relevant state and territory government approval processes. MPF status was renewed in 2012.

Capital Cost Estimates

The following table details the capital cost estimate for the first TSMP.

TSMP Component	Capital Cost Estimate (US$M)	Company
Plant Process Inside Battery Limit (IBL)	569	Davy Process Technology
Plant Process Outside Battery Limit (OBL)	273	WorleyParsons
Concrete Gravity Structure incl Storage (CGS)	376	ARUP
Accommodation and Control Platform (ACP)	92	WorleyParsons
Single Point Mooring Loadout (SPM)	64	WorleyParsons
Project Development & Owners Costs	115	MEO estimate with input from APCI and Fluor
Total (US$Million)	1,488	

Surrounding Area Activity

Heron/Blackwood (NT/P68)

Eni and MEO are engaged in a drilling program to appraise the Heron and Blackwood discoveries after which development options will be considered.

Evans Shoal (NT/P48)

The Evans Shoal gas discovery lies directly adjacent to NT/P68 and only 10 km from Tassie Shoal. In October 2011 Santos reached agreement with Eni to divest their 40% interest in the Evans Shoal field for up to US$350 million. An appraisal well is planned for 2013.

Barossa (NT/P69)

The last well drilled in the permit in 2006 tested 16% CO_2 gas. In June 2012 SK E&S farmed into both NT/P69 and NT/P61 earning up to a 49.5% interest in both permits for funding up to US$520 million in carry obligations and contingent milestone payments. Three appraisal wells are planned for 2013.

Caldita (NT/P61)

The last well drilled in the permit in 2007 tested 13% CO_2 gas. In June 2012 SK E&S farmed into both NT/P69 and NT/P61 earning up to a 49.5% interest in both permits for funding up to US$520 million in carry obligations and contingent milestone payments.