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ASX RELEASE

HERON-2 WELL UPDATE

JOINT VENTURE DECISION TO PRODUCTION TEST EPENARRA DARWIN RESERVOIR

MELBOURNE, AUSTRALIA (December 5, 2007) -- MEO Australia Limited (ASX: MEO) advises the market that the NT/P68 Joint Venture partners have today approved production testing of the gas charged zone of the Epenarra Darwin formation reservoir in the Heron-2 well.

The participants in the Heron-2 well 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%

The drilling update released on November 27, 2007 advised that the West Atlas rig had successfully acquired data from three planned log suites and recovered 18 rotary side-wall core samples for detailed petrophysical analysis. Processing and analysis of this extensive data suite was required before the Joint Venture partners were able to commit to the Epenarra production testing and approve the substantial additional investment.

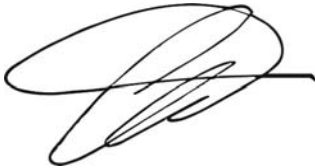
Results of the drilling, log and core sample interpretation of the Darwin formation indicate:

- gas saturation recorded over entire 50 metres (3109m – 3159m) of facies C;
- no carbon dioxide recorded by mud gas detection systems while drilling;
- initial mud log indications while drilling suggest wet gas;
- primary porosity in facies C ranging between 5% and 12%;
- four major open fracture sets interpreted from Sonic Scanner;
- multiple open secondary fractures noted in side-wall core samples;
- in the absence of a full diameter core, facies C fracture permeability is inferred in the multi-darcy range.

The results correlate closely to the Heron-1 well (2.7 km away) providing confidence in potential reservoir continuity. Correlation with the inversion data obtained from the 3D seismic data provides further confidence in predicting reservoir continuity. The modern logging suite obtained in Heron-2 confirmed the porosity and permeability assumptions used in MEO's previous Contingent Resource calculations.

Production testing of Epenarra is being undertaken to determine gas quality and reservoir productivity, confirming that a recoverable resource is present. Testing of this zone can only occur after the completion of drilling and possible production testing (subject to separate Joint Venture approval) of the underlying Heron North Elang/Plover target reservoir.

The rig is currently drilling the 8½ inch hole through the lower sections of the Flamingo formation, which is immediately overlying the Heron North Elang/Plover objective. A further report describing current drilling operations will be made later in the week in the regular weekly drilling report (No: 8)

A handwritten signature in black ink, appearing to be 'C.R. Hart', written in a cursive style with a horizontal line extending to the right.

C.R. Hart
Managing Director