



MEO Australia Limited

ABN 43 066 447 952

Level 17
500 Collins Street
Melbourne Victoria 3000 Australia

Tel: (+61 3) 8625 6000
Fax: (+61 3) 9614 0660
Email: admin@meoaustralia.com.au
Website: www.meoaustralia.com.au

Quarterly activities summary for Quarter ended 30th September 2010

Key Points

- Designated Authority approves registration of Petrobras 50% interest in WA-360-P
- Executed rig assignment agreement to utilise the Songa Venus to drill Artemis-1
- Drill rig handover to MEO currently expected early-mid November
- Greater Heron Prospective Resource estimated at 4.96 Tcf (Best Estimate)
- Divestment of treasury shares raises A\$3.44 million
- Chief Geoscientist appointed to spearhead technical evaluation of new ventures
- Consolidated cash balance at 30th September A\$36.8 million¹

MELBOURNE, AUSTRALIA (15th October, 2010)

MEO Australia Limited (ASX code: MEO, OTC code: MEOAY) provides the following summary in relation to its activities for the quarter ended 30th September 2010.

WA-360-P (MEO 25% & Operator, Petrobras 50%, Cue Energy 15%, Moby Oil & Gas 10%)

On 22nd July, MEO announced that it had executed a rig assignment agreement with Shell and Songa Offshore for use of the Songa Venus to drill Artemis-1 in late 2010. Well planning activities and regulatory approvals relating to the drilling of Artemis-1 were progressed during the quarter. MEO expects to receive the rig from Shell in early to mid-November depending on operational progress during their current program.

On 15th September, MEO received the final regulatory approvals from the Designated Authority for the transfer and registration of permit equity. This was the final condition precedent of the farm-in agreement. MEO subsequently invoiced Petrobras for the US\$31.5 million cash bonus and approximately US\$7.5 million of seismic related back costs.

Upon receipt of the cash consideration from Petrobras, MEO will pay Moby Oil & Gas the balance of US\$5.5 million consideration due in relation to the acquisition of an additional 5% participating interest in WA-360-P announced on 10th June.

WA-361-P (MEO 50%⁺, Operator, RDI 35%, Cue Energy 15%, Gascorp 0%⁺)

During the quarter, MEO executed a binding sales and purchase agreement with Gascorp Australia Limited to acquire its remaining 15% participating interest in the permit for US\$1 million payable upon receipt of regulatory approval for the transfer of equity.

The exploration permit expires on 31st January 2011. MEO will apply for a renewal of this permit for a further five year term. This will involve a mandatory relinquishment of 50% of the permit.

¹ Excludes US\$31.5 million cash bonus and reimbursement of approximately US\$7.5 million in seismic related back costs payable by Petrobras in relation to WA-360-P farm-in.

NT/P68 (MEO 100%)

During the quarter, MEO commissioned Gaffney Cline & Associates to undertake an assessment of the Contingent Resource associated with the Heron North gas discovery as a precursor to farming out a portion of MEO's 100% interest in the permit in return for funding appraisal drilling. The Blackwood gas discovery is being retained by MEO at 100% interest to supply a potential future methanol project.

The company is of the view that the Greater Heron structure has the potential for an LNG scale gas resource and is proposing a two well appraisal drilling program as part of the farm-in terms.

Subsequent to the end of the quarter, MEO released its assessment of the prospective resource for the Greater Heron structure (Best Estimate of 4.96 Tcf) which incorporates the Contingent Resource estimate by Gaffney Cline & Associates.

Following the release of these estimates, MEO opened its NT/P68 data room for prospective farminees to undertake a technical evaluation of the permit with a view to becoming a Joint Venture partner.

Approved Gas Processing Projects (MEO 50-100%)

The Company continued its efforts to secure feed-gas for its approved gas processing projects.

New venture opportunities

Mr. Errol Johnstone was recruited to the position of Chief Geoscientist during the quarter and commenced employment with MEO on 4th October. Errol will spearhead the technical evaluation of New Venture opportunities.

Cash balance at end of quarter

At 30th September 2010, the consolidated cash balance was A\$36.8 million. This balance does not include the ~US\$39 million cash consideration due from Petrobras in relation to the WA-360-P farm-in. The cash is due to be received in October.

During the quarter, MEO divested the remaining 10.122 million Treasury shares at \$0.34/share to raise approximately \$3.44 million before costs. The Treasury Share scheme, which had been in operation since 2000, lapsed on 25th August.

Priorities for the quarter ending 31st December 2010

- Drill Artemis-1 safely
- Receive the ~ US\$39 million cash consideration from Petrobras
- Settle the acquisition of a 5% participating interest in WA-360-P
- Settle the acquisition of a 15% participating interest in WA-361-P
- Submit WA-361-P permit renewal application to the Designated Authority
- Introduce prospective farminees to the NT/P68 farm-in opportunity
- Continue screening New Venture opportunities



Jürgen Hendrich

Managing Director & Chief Executive Officer