



**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](mailto:admin@meoaustralia.com.au)  
Website: [www.meoaustralia.com.au](http://www.meoaustralia.com.au)

**REPORT ON ACTIVITIES  
FOR THE QUARTER ENDED  
30 SEPTEMBER 2007**

**COMPANY'S ACTIVITIES DURING THE QUARTER**

During the quarter, the Company and Petrofac Limited finalized all matters relating to the drilling program in NT/P68 and the arrival of the West Atlas jack-up rig.

The Company completed the Share Purchase Plan (SPP) capital raising activity during the quarter, raising an additional \$18.240 million of which \$10.388 million was received in cash in the quarter. The number of shares on issue at the end of the quarter stands at 334,931,570.

**PETROLEUM EXPLORATION PERMIT NT/P68 (MEO 90%)**

NT/P68 is a 12,070 square km petroleum exploration permit located in the Australian waters of the Timor Sea immediately to the west of Tassie Shoal (25 km) and approximately 200 km northwest of Darwin. The Company believes that the permit offers considerable scope for the confirmation and discovery of commercial gas accumulations that may support the future gas demands of the proposed Tassie Shoal LNG and methanol projects.

The Company secured a new jack-up rig operated by Seadrill to drill up to three wells in NT/P68. The West Atlas arrived in early October and the Heron-2 well spudded on October 12, 2007. The Heron-2 well is 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 planned total depth of the well is approximately 4300m below sea level. The duration estimate for Heron-2 is between 50 and 75 days (dry hole or full testing of both horizons).

The Heron-1 well drilled by ARCO in 1972 intersected a 52m gas bearing column in the Darwin Formation (a fractured carbonate reservoir) within the 1,200 square km mapped closure of the large Epenarra structure. Heron-1 also reached a gas charged zone in the deeper underlying Elang/Plover horizon, which is a secondary objective for the Heron-2 well.

Dependent on the results of Heron-2, the second well would either be Heron-3B, Heron-3C or Blackwood-1. Heron-3B is designed as a commercial production test of Epenarra with a 500m horizontal completion. Heron-3B is approximately 5 kilometres northwest of the Heron-1 location and is sufficiently down-dip to prove a significant P2 resource assuming the production testing is successful. Heron-3C is south of Heron-1 and is designed as a vertical well to penetrate both the Epenarra and Heron South structures.

#### **TIMOR SEA LNG PROJECT (MEO 90%)**

The proposed Timor Sea LNG Project (TSLNGP) has been designed to be located in the shallow waters of Tassie Shoal. The TSLNGP received its Commonwealth environmental approval to construct, install and operate adjacent to the TSMP on May 5, 2004. The methanol and LNG projects will be able to share infrastructure, logistic support systems and benefit from significant production process advantages. As part of the NT/P68 farm-in agreement, Petrofac has the right to take a 10% participating interest in the TSLNGP, reducing the MEO interest to 90%.

Torp Technology was engaged to design a dedicated loading system for Tassie Shoal facilities based on the Torp HiLoad LNG technology. This technology utilizes an independent dynamically positioning LNG docking and loading device, a single point mooring system and flexible LNG hoses that have recently been fully certified for commercial use. The loading system would significantly improve loading availability and avoids the higher operating costs associated with jetty docking and tug boat assistance.

#### **TASSIE SHOAL METHANOL PROJECT (MEO 50%)**

The Company and Air Products and Chemicals, Inc. (APCI) continue to develop the Tassie Shoal Methanol Project (TSMP) under the terms of the joint development agreement (JDA). As part of the NT/P68 farm-in agreement, Petrofac has the right to take a 10% participating interest in the TSMP, reducing the APCI interest to 40%.

The project proposes to construct two large natural gas reforming and methanol production plants on concrete gravity structures in southeast Asia, tow these plants to Tassie Shoal in the Australian waters of the Timor Sea and ground the structures in the shallow waters of the shoal for operation.

During the quarter, the Company reviewed the capital cost assumptions for the utilities section of the plant (power generation, steam, nitrogen, desalination and flare) and is currently preparing the basis of design documentation to initiate front-end engineering and design (FEED) studies in 2008 assuming the drilling results in NT/P68 are positive.

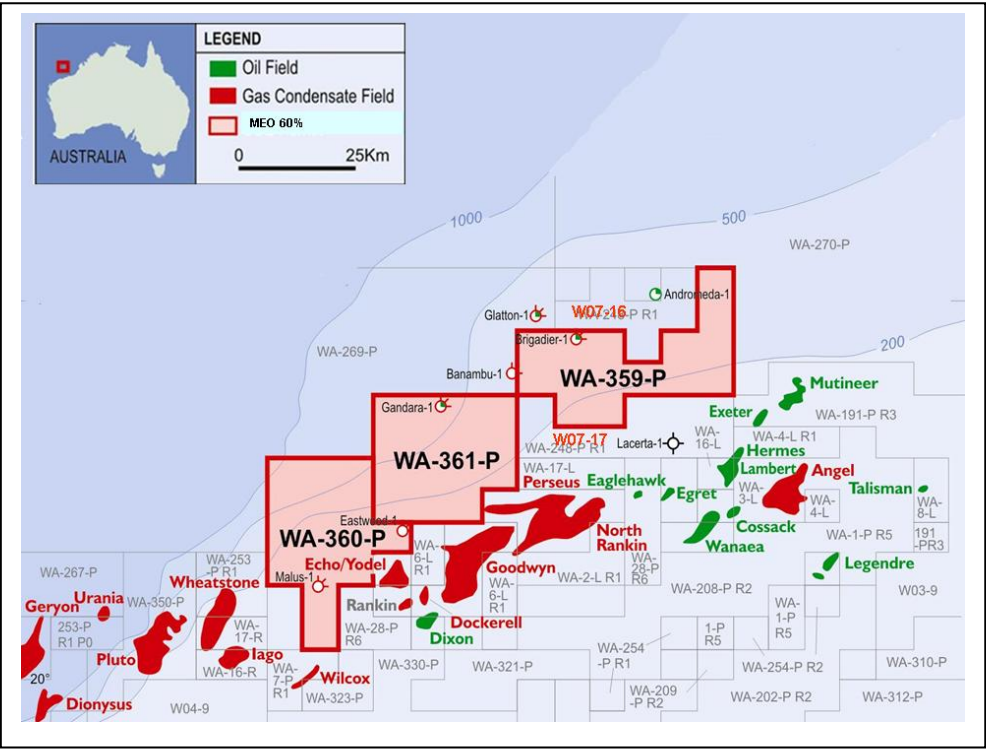
#### **IMPORTANT EVENTS SUBSEQUENT TO THE QUARTER**

On October 25, 2007, the Company, via its wholly owned subsidiary North West Shelf Exploration Pty Ltd, farmed into three Northwest Shelf offshore permits (WA-359-P, WA-360-P & WA-361-P). MEO has secured a 60% participating interest in these highly prospective exploration permits via a seismic acquisition option.

MEO has carefully reviewed the existing 2D and 3D data, which covers a large portion of the permits. The permits offer scope for many prospective oil and gas leads. At this stage, the most obvious significant potential appears to be in WA-361-P, immediately northwest of the

Perseus Gasfield and on the northern flank of the Goodwyn Gasfield where a thick sequence of interpreted Legendre shoreface and shallow marine sandstones are present in the Keast Graben. A potential stratigraphic trap, Zeus, has been identified, which is thought to be a similar play and analogous to the Perseus Gasfield (12 Tcf) and to the new Woodside Persephone-1 discovery on the eastern flank of the North Rankin Gasfield.

Zeus has prospective multi-TCF in place potential of 5 to 15 Tcf over 350 sq km of closure with up to 100 m of net pay. The Company is encouraged by observations on the existing 3D seismic data of possible development of amplitude-related hydrocarbon indicators (bright spots) in the Zeus feature that are similar to amplitudes observed in the same reservoir gas sands at Perseus.



MEO’s acquisition of interests in these Northwest Shelf permits offers the opportunity to significantly broaden the scope of the Company’s current upstream interests. The permits are located within a proven world-class hydrocarbon province with highly developed production infrastructure. The interests are complementary to the Company’s current plans to develop LNG and methanol production projects.

**Christopher Hart**  
 Managing Director  
 Melbourne, Australia  
 October 31, 2007

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

MEO AUSTRALIA LIMITED

ABN

43 066 447 952

Quarter ended ("current quarter")

30 September 2007

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(11,362)	(11,362)
(b) development	(2)	(2)
(c) production	-	-
(d) administration	(928)	(928)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1,020	1,020
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other expense recoveries	655	655
<b>Net Operating Cash Flows</b>	<b>(10,617)</b>	<b>(10,617)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	(2)	(2)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(2)</b>	<b>(2)</b>
1.13 Total operating and investing cash flows (carried forward)	(10,619)	(10,619)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

<b>Cash flows related to financing activities</b>			
1.14	Proceeds from issues of shares, options, etc.	200	200
	Proceeds from Share Purchase Plan	10,388	10,388
1.15	Purchase of shares on market in settlement of vested performance rights	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue costs	(1,179)	(1,179)
<b>Net financing cash flows</b>		<b>9,409</b>	<b>9,409</b>
<b>Net increase (decrease) in cash held</b>			
1.20	Cash at beginning of quarter/year to date	70,929	70,929
1.21	Exchange rate adjustments to item 1.20	(820)	(820)
1.22	<b>Cash at end of quarter</b>	<b>68,899</b>	<b>68,899</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to related entities of the entity and associates of the related entities**

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	192
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

-

+ See chapter 19 for defined terms.

### Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

		\$A'000
4.1	Exploration and evaluation	40,000
4.2	Development	-
<b>Total</b>		<b>40,000</b>

### Estimated cash inflows for next quarter

<b>Total</b>	-
<b>Total</b>	-

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1	25,232	8,251
5.2	43,667	54,826
5.3	-	-
5.4	-	7,852
<b>Total: cash at end of quarter</b> (item 1.22)	68,899	70,929

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	334,931,570	334,931,570	-	-
7.4 Changes during quarter				
(a) Increases through issues	18,240,000	18,240,000	100	100
400,000	400,000	400,000	50	50
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 <b>Options</b> <i>(description and conversion factor)</i>	6,400,000	-	<i>Exercise Price(cents)</i> 50	<i>Expiry Date</i> 30/11/2009
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	400,000	400,000	50	50
7.10 Expired during quarter	-	-	-	-
7.11 <b>Debentures</b> <i>(totals only)</i>	-	-		
7.12 <b>Unsecured notes</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



Date: 31 October, 2007  
Company Secretary

Print name: Colin H Naylor

## Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Cash Flow Statement* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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