



**MEO Australia Limited**

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**REPORT ON ACTIVITIES  
FOR THE QUARTER ENDED  
31 MARCH 2008**

**COMPANY'S ACTIVITIES DURING THE QUARTER**

During the quarter, the Company completed Heron-2 and Blackwood-1 drilling operations in NT/P68. These operations resulted in the declaration of two discoveries over the Heron North and Blackwood structures. MEO also completed the acquisition of 3D seismic in WA-360-P and WA-361-P, and 2D seismic in WA-359-P so that attractive drilling prospects can be identified.

MEO remains on-track with the overall corporate strategy to secure or confirm gas supply to underpin gas-to-liquid (GTL) projects. The recent gas discoveries in NT/P68 significantly enhance the Company's position in the development of its own hydrocarbon resources and gas supply options.

The current commodity prices for LNG and methanol continue to remain at record prices, which results in robust economics for the proposed LNG and methanol production projects.

The Company has developed strategic holdings in the two hydrocarbon provinces that have mature, operating LNG and GTL projects; the Carnarvon Basin in the Northwest Shelf and the Bonaparte Basin in the Timor Sea.

**PETROLEUM EXPLORATION**

**TIMOR SEA OFFSHORE 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 of commercial gas accumulations that may support the future gas demands of the proposed Tassie Shoal LNG and methanol projects.

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.

A new jack-up rig operated by Seadrill was secured to drill two 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 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 well was drilled to a total depth of 4182mMD.

A barefoot (open hole) production test of the Cleia, Montara, Elang and Plover sands was attempted on January 3, 2008. The test commenced for a few hours flowing at a maximum interpreted rate of ~8 MMscf/d. Rig operations were suspended, however, due to the approach of Cyclone Helen.

When testing was re-started 48 hours later, it was apparent that the rapid reduction in pressure (caused by the drawdown or other operations) during the earlier open-hole production test may have caused a collapse of the shale unit separating the upper Cleia Sandstone from the underlying better quality Montara and Elang sandstones. This collapse prevented the deeper, higher quality, wet gas-charged sandstones contributing to the initial flow. A side-track was attempted to re-drill the Plover. At 3967m the well suffered a drill-string twist-off due to a further collapse of the same shale unit. The lower part of the well was abandoned (fish left in hole) and the 9<sup>5</sup>/<sub>8</sub> inch casing was perforated across the 50m gas charged zone of the Darwin Formation between 3109mMD and 3159mMD.

While the evidence from electric logs of gas saturation in the Epenarra Darwin formation and the presence of some significant fractures in the perforated section appeared to be positive, the well only produced minor quantities of hydrocarbons to surface and failed to produce a consistent flow. Heron-2 was plugged and abandoned on January 29, 2008.

West Atlas rig preparing to test the Heron-2 well



The joint venture continues to review the Heron-2 well results, 3D seismic and inversion data to determine the reasons for the lack of permeability through the Darwin formation at this specific well location. These may include damage to the fractured reservoir from over-balanced drilling muds, subsequent acid washing, the 9<sup>5</sup>/<sub>8</sub> inch casing/cementing activity or that the well was not optimally located to test the best fracture development. The joint venture partners continue to assess the well results and the Epenarra and Heron North (and South) structures. In particular, the recognition of a significant Late Jurassic section (Montara formation sands) in Heron-2 may have upgraded the potential for wet gas.

Given the large amount of data recovered from Heron-2 and time required for detailed interpretation MEO decided to drill Blackwood-1 as a sole risk, exclusive operation.

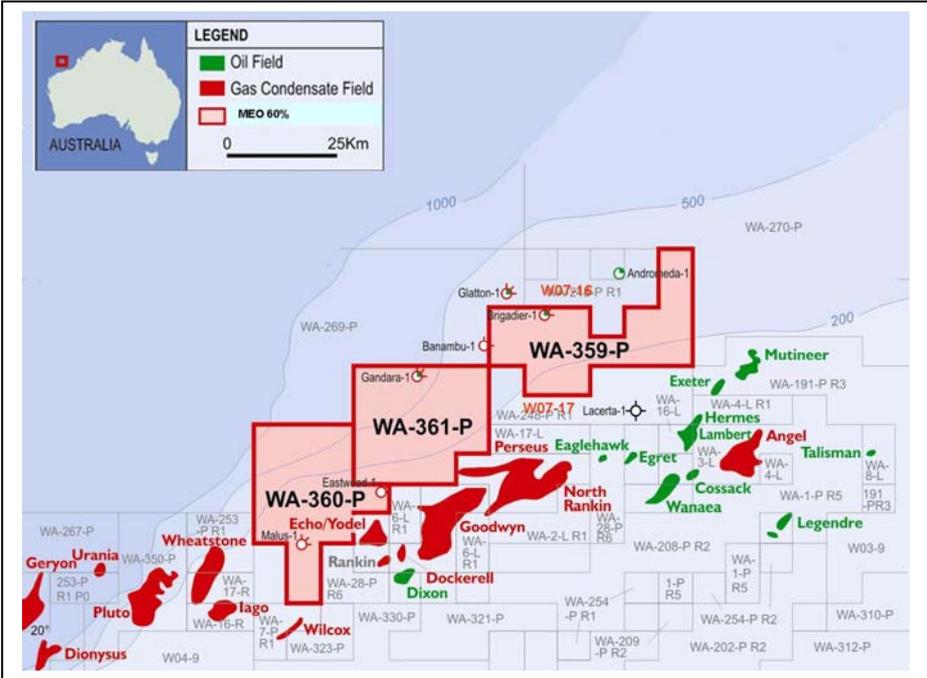
Blackwood-1 was spudded on February 1, 2008. Blackwood-1 well was drilled to test the Blackwood Prospect targeting Middle Plover sandstone reservoirs on a northeast – southwest trending tilted fault block at the hingeline between the Sahul Platform and the Malita Graben. The Blackwood Prospect at Top Plover Formation appears to be a tilted fault block closure located immediately northwest of the Wonarah-1 well (Shell -1997). The areal relief on the closure is approximately 115sq km and a vertical relief of 145m.

Blackwood-1 drilled to 3263mMD having penetrated gas charged sands of the Plover Formation. Full log suites were acquired, including MDT sampling. MDT testing confirmed the presence of a hydrocarbon column from 3176mMD to an interpreted GWC at 3225mMD. Blackwood-1 was P&A'd on March 10, 2008. MEO presently has a 100% interest in the Blackwood discovery.

The Company is preparing to farmout an interest in NT/P68 to fund further appraisal drilling of the Heron and Blackwood discoveries.

**NORTHWEST SHELF OFFSHORE PERMITS WA-359-P, WA-360-P & WA-361-P (MEO 60% in each permit)**

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 secured a 60% participating interest in these highly prospective exploration permits by meeting the year three seismic acquisition obligations. 258 sq km of new 3D data was acquired during December 2007 in WA-360-P and WA-361-P and approximately 250 line km of new 2D data was acquired in WA-359-P during March 2008 thereby fully meeting the seismic acquisition obligations. Additionally, reprocessing of the Rosie 3D survey (originally acquired by WMC in 1997), which covers the majority of the large Zeus stratigraphic feature was commenced.



In any of these permits, if MEO decides to fund 100% of the cost of a single well, a 70% interest will have been earned. However, if the existing permit holders elect to pay 10% of the cost of a single well in any permit, the MEO interest in that permit would remain at 60%.

Zeus is a potential stratigraphic trap, which is thought to be a similar play and analogous to the nearby 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 200 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. Data reprocessing is being conducted to improve imaging and reduce multiples. Additionally, MEO is recovering the offset gathers so that AVO analysis can be undertaken to support the drilling of an exploration well.

### **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 earn a 10% participating interest in the TSLNGP, reducing the MEO interest to 90%.

MEO continues to work with the project's engineering consultants to optimize design of the facilities and review capital and operating cost assumptions.

### **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 earn 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 progressed the casting basin site selection process throughout Southeast Asia to identify and secure sites for the potential construction of the sub-structural elements of either the TSMP or TSLNGP. Given the Blackwood discovery and gas quality, which is suitable for methanol production, the Company expects to progress various aspects of the TSMP.

## FLOATING LNG PRODUCTION (FLNG) CONCEPTS

During the quarter, the Company initiated a review of FLNG design concepts. Both international oil companies and very competent contractors are now advocating this approach as current indications of construction costs for onshore plants is becoming prohibitive. Construction of a complete production module in a low cost Asian construction facility is similar and a natural fit to the Company's concepts for the TSMP and TSLNGP.



The floating LNG production concept is probably the quickest way to develop early production and cash flow for any new discovery. Commercial structures include leasing arrangements, with technical risk passed to the contractor. This could avoid major financing, technical and construction risk issues.

MEO plans to advance these options as a possible commercialization path for gas discoveries in the Northwest Shelf permits.



**Christopher Hart**  
Managing Director  
April 30, 2008

# 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")

31 March 2008

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(47,160)	(92,576)
(b) development	(116)	(181)
(c) production	-	-
(d) administration (including GST)	81	(3,524)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	794	2,511
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other expense recoveries	921	1,795
<b>Net Operating Cash Flows</b>	<b>(45,480)</b>	<b>(91,975)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	(138)	(164)
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>(138)</b>	<b>(164)</b>
1.13 Total operating and investing cash flows (carried forward)	(45,618)	(92,139)

+ 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.	-	63,200
	Proceeds from Share Purchase Plan	-	10,388
1.15	Purchase of shares on market in settlement of vested performance rights	(318)	(318)
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – share issue costs	(1,729)	(4,401)
<b>Net financing cash flows</b>		(2,047)	68,869
<b>Net increase (decrease) in cash held</b>		(47,665)	(23,270)
1.20	Cash at beginning of quarter/year to date	94,387	70,929
1.21	Exchange rate adjustments to item 1.20	(298)	(1,235)
1.22	<b>Cash at end of quarter</b>	46,424	46,424

**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	64
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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**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

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+ 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	25,000
4.2	Development	-
<b>Total</b>		<b>25,000</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 Cash on hand and at bank	35,333	26,446
5.2 Deposits at call	11,091	67,941
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	46,424	94,387

### 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>	385,931,570	385,931,570	-	-
7.4 Changes during quarter				
(a) Increases through issues	-	-	-	-
(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>	5,400,000	-	<i>Exercise Price(cents)</i> 50	<i>Expiry Date</i> 30/11/2009
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	-	-	-	-
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: 30 April, 2008  
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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+ See chapter 19 for defined terms.