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ASX AND MEDIA RELEASE

MEO AUSTRALIA ANNOUNCES MAJOR STRATEGIC ALLIANCE

Key Points:

- **Strategic alliance formed with Resource Development International Ltd (“RDI”) - an entity controlled by one of Australia’s wealthiest men, Professor Clive Palmer**
- **RDI has extensive iron ore, steel, nickel and energy interests and is planning to raise A\$5 billion and list on the Hong Kong and Australian Stock Exchanges later in 2008**
- **Funding secured for forthcoming Zeus-1 exploration well targeting multi-TCF potential gas resources in WA-361-P leaving MEO with a 25% interest**
- **Majority funding for up to 9 wells (including Zeus-1) in MEO’s three offshore West Australian Permits in the success case**
- **Staged funding program for appraisal drilling in NT/P68 – up to 4 initial wells**
- **100% funding for NT/P68 appraisal to achieve Third Party Reserve certification**
- **MEO fully funded through to commercial production of upstream facilities and its approved Gas-to-Liquids projects on Tassie Shoal while retaining a 20% interest**
- **Placement of 21.391m shares at \$0.55 to Mineralogy Pty Ltd – Prof Palmer’s private company - raising \$11.8M cash to MEO before costs.**

MELBOURNE, AUSTRALIA (July 3, 2008) -- MEO Australia Limited (ASX: MEO) is pleased to announce that it has entered into a major strategic alliance with Resource Development International Ltd (“RDI”), an unlisted public entity associated with and Chaired by Brisbane based billionaire - Professor Clive Palmer. RDI will contain substantial iron ore (up to 10 billion tonnes), steel, nickel and energy interests. RDI is planning to raise A\$5 billion via an initial public offering (IPO) of its shares later this year. RDI will be dual listed on the Hong Kong and Australian Stock Exchanges. Leading investment banks have been appointed to manage the IPO.

This strategic alliance will see a staged funding approach for each of MEO’s project areas subject to various conditions precedent including a successful IPO. As part of MEO’s 15% placement capacity, the Company has placed 21.391m shares to Mineralogy Pty Ltd at \$0.55 to raise \$11.8m before costs to fund ongoing geotechnical activity in NT/P68. MEO has further granted 14.498m options to subscribe for ordinary shares in MEO at an exercise price of \$0.65 on or before 30 September 2008.

RDI has undertaken to fund the vast majority of MEO’s share of costs in up to 9 wells (success case) in the company’s three offshore West Australian permits (WA-359-P, WA-360-P and WA-361-P) to earn a 35% interest in each permit. MEO’s interest in these permits will reduce to 25% in the event the option to drill in each is exercised by RDI.

RDI has initially committed to fund 80% (well cost capped to US\$31.25m, and thereafter 52.5%) of the forthcoming Zeus-1 well targeting multi-TCF potential gas resources in WA-361-P to earn a

35% interest. MEO will fund 10% of the well and retain a 25% interest. Existing JV partners – Cue Energy (20%, ASX: CUE) and Gascorp (20%, unlisted) have the option to fund up to a combined 10% of the cost of this well or allow MEO to increase its interest in the permit by up to 10% by funding up to an additional 10% of the well cost. In the event of drilling success at Zeus-1, RDI will fully fund MEO's share of two additional appraisal wells. In the event Zeus-1 is unsuccessful, RDI will fund MEO's share of one additional exploration well subject to a successful listing of RDI.

In its Timor Sea projects, and subject to Petrofac Energy Developments Oceania Ltd's pre-emptive rights, the agreement with RDI sees MEO's share of funding for all appraisal drilling and all project capital costs (upstream and downstream), fully carried through to commercial production on each of its proposed Tassie Shoal Gas-to-Liquids (GTL) projects, while retaining a 20% interest. This involves RDI funding a staged appraisal drilling program of initially two wells (Heron-3 and Blackwood-2) to earn a 25% interest and two additional wells to earn a further 25% interest. Thereafter, RDI has undertaken to secure funding to meet all of MEO's costs in relation to any further appraisal activities required for certification of gas reserves and all capital costs required to bring each of its GTL projects into commercial production.

Implications

MEO has secured a substantial strategic funding partner in RDI with aligned interests and outstanding connections to major Chinese business, consumer and resources interests. The agreement executed with RDI represents a watershed event in the history of the company. It has the potential to see the company fully funded with a 20% carried equity interest through to commercial production on each of its approved GTL projects in the Timor Sea subject to securing adequate gas resources from NT/P68 or 3rd party sources.

The agreement also meets the immediate funding requirements to commit irrevocably to drilling the Zeus-1 well during October 2008. Zeus-1 is targeting multi-TCF potential gas resources in WA-361-P which is immediately adjacent to the established North West Shelf Gas Project that supplies gas to the onshore LNG producing facilities. The agreement also provides for further significant funding for up to eight additional wells, across the three WA offshore permits, which meets the majority of MEO's share of appraisal drilling costs.

In relation to the Company's present assets, this agreement protects MEO shareholders from any significant dilution in share capital.

A handwritten signature in black ink, appearing to be 'C.R. Hart', with a stylized, flowing script.

C.R. Hart
Managing Director

Details of the transaction

The strategic alliance comprises a number of significant components:

Direct shareholding in MEO

- Placement of 21.391m shares [approx **5%** of issued capital] at \$0.55 to Mineralogy Pty Ltd raising **\$11.765m** before costs.
- Granting of 14.498m options [approx 3.4% of issued capital] at an exercise price of \$0.65 and expiry date of 30 September 2008. Upon exercise, the company will receive further cash proceeds of **\$9.434m**.
- A further 2m options have been granted with an exercise price of \$0.55 and expiry date of 30 June 2009. Exercising these options will generate cash proceeds of **\$1.1m**.

Commitment to Farm-in to WA-361-P to earn 35% interest

- RDI earning a 35% interest (MEO 25%) to fund 80% of the proposed Zeus-1 well to a cap of US\$31.25m. RDI funding 52.5% of well costs in excess of this cap. MEO to fund 10% of the well cost to cap of US\$31.25m and 37.5% of well cost above this level (assuming Cue and Gascorp fund 10%).
- RDI to fund 100% of MEO's share of two subsequent appraisal wells in the event that Zeus-1 discovers hydrocarbons.
- RDI to fund 100% of MEO's share of one additional well in the event that Zeus-1 fails to discover hydrocarbons, subject to the listing of RDI.
- Cue and Gascorp each have an option to pay for 5% of the Zeus-1 well to maintain their respective 20% interests. Any interest not taken up by Cue and/or Gascorp reverts to MEO and increases its funding share by that quantum.

Option to farm-in to WA-359-P and/or WA-360-P to earn 35% interest

- MEO has an option to make an irrevocable commitment by 1 January 2009 to drill a well in either or both permits or withdraw from either or both the permits.
- MEO has granted RDI an option until December 1, 2008 to earn a 35% interest in either or both permits (MEO 25%) by funding 80% of the cost of one exploration well.
- RDI to fund 100% of MEO's share of two subsequent appraisal wells in the event that first well discovers hydrocarbons.

Option to farm-in to NT/P68 and the Tassie Shoal GTL projects (LNG and methanol) to earn up to 70% interest in 3 stages

- This option is subject to Petrofac Energy Developments Oceania Ltd's pre-emptive rights to match the offer by RDI within 30 days.
- Option to commit to funding 100% of MEO's share of two appraisal wells (Heron-3 and Blackwood-2) to earn a 25% interest. Election to participate the earlier of 14 days after the close of the RDI IPO or 31 December 2008.
- Option to earn an additional 25% interest by committing to funding 100% of MEO's share of two further appraisal wells.
- Option to earn a final 20% interest by meeting MEO's share of costs in relation to:
 - all further appraisal costs to achieve adequate third party gas reserve certification;
 - all capital costs pertaining to bringing any NT/P68 gas resource into commercial production; and
 - 100% of MEO's share of capital costs to bring each GTL project into commercial production.