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ASX & Media Release

Heron South-1 Progress Report No.1

Key Points:

- Heron South-1 spudded at 19:15hrs on 24th August 2012
- Planned drilling program duration is 60 days

MELBOURNE, AUSTRALIA (27th August, 2012)

MEO Australia Limited (ASX: **MEO**; OTCQX: **MEOAY**) advises that Eni Australia Ltd (Eni) as operator of the NT/P68 exploration permit has confirmed that the ENSCO 109 drilling rig was handed over on 15th August and arrived at the Heron South-1 location on 18th August. The well was spudded at 19:15hrs (Darwin time) on the 24th August 2012 and is planned to be drilled to at least 4,230mSS or the gas water contact. The drilling program is expected to take around 60 days.

The key objectives of the well are to determine the productivity of the Elang-Plover reservoir and the gas composition.

MEO's assessment of the prospective resources in the Greater Heron structure remains unchanged from the assessment released on 14th October 2010 tabulated below. This assessment assumes the Greater Heron structure is filled to the structural spill point mapped by MEO (4,325mSS).

Greater Heron Structure (Prospective Resource)

Raw Gas Ultimate Recovery (Tcf)	Low	Best Estimate	High
MEO Prospective Resource Assessment ¹	3.66	4.96	6.64

1. The MEO volumes reported in this table have NOT been reduced for non-hydrocarbon gas (CO₂, N₂) content. Assumed range is 13.6% to 28%. MEO has limited the non-hydrocarbon gas (CO₂, N₂) content to that observed in the primary reservoir at Evans Shoal-2.

A location map (Figure 1) and a simplified Heron Structural cross section (Figure 2) are attached for reference.

MEO intends to release weekly progress reports.

MEO's CEO and MD Jürgen Hendrich commented on the announcement:

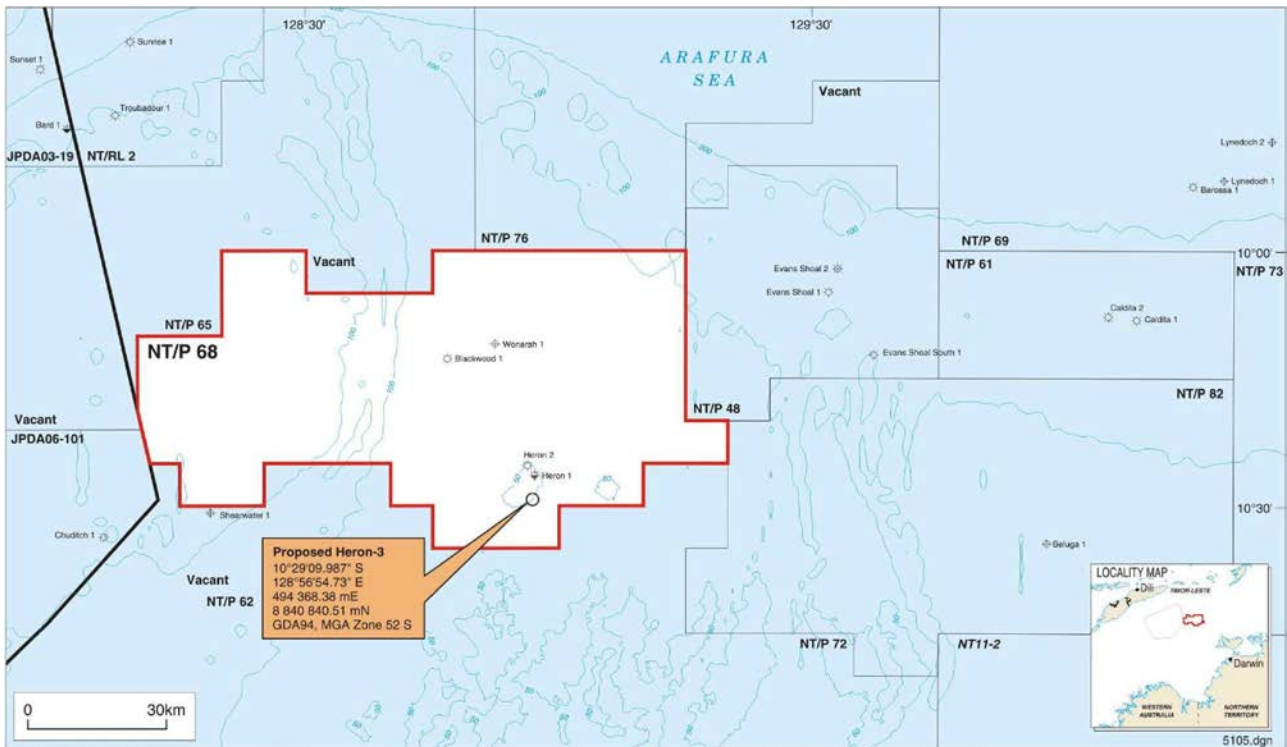
"Since Heron-2 discovered gas in early 2008, MEO has been working towards appraisal of this discovery. Heron is potentially a very significant gas resource. We are very pleased to be partnering with Eni and look forward to a safe and successful drilling program"

Jürgen Hendrich
 Managing Director & Chief Executive Officer

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Figure 1. Heron South-1 Well Location Map:



Source: Eni Australia Limited

Figure 2. – Simplified Heron Structural Cross Section

