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ASX & Media Release

Heron South-1 Progress Report No. 11

Key Points:

- Drilled 216mm (8 ½”) hole from 4,358.6mMDRT to 4,454mMDRT
- Commenced formation evaluation program
- No reportable incidents and well operations proceeding according to plan

MELBOURNE, AUSTRALIA (22nd October, 2012)

MEO Australia Limited (ASX: **MEO**; OTCQX: **MEOAY**) provides the following update in relation to Heron South-1 being drilled in NT/P68, operated by Eni Australia Ltd.

Since the last report, 216mm (8 ½”) hole had been drilled from 4,358.6m to 4,454mMDRT (metres Measured Depth below Rotary Table) which the operator has determined to be Total Depth (TD). A comprehensive formation evaluation program has commenced. If warranted, a production test will be run to determine reservoir productivity. There have been no reportable incidents.

Progress Summary

Progress since last report:

- Drilled 216mm (8 ½”) hole from 4,358.6mMDRT to 4,454mMDRT (TD)
- Commenced formation evaluation program

Present Operation:

- Continue with formation evaluation program

Outlook:

- Complete comprehensive formation evaluation program and production test well if warranted

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

An overview of the NT/P68 permit including location map and simplified Heron structural cross section are attached for reference.

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

"We eagerly await the results of the formation evaluation."

Jürgen Hendrich
Managing Director & Chief Executive Officer

Timor Sea: NT/P68

MEO 50%, Eni Australia Ltd 50% & Operator

Heron South-1 Drilling Underway

Drilling underway to test 5Tcf mean prospective gas resource

Eni farmed in to the NT/P68 Exploration permit in 2011 (refer ASX release dated 18th May 2011) and is earning an initial 50% interest in the Heron area by funding two wells on the Heron structure. The first of these wells - Heron South-1 - spudded on 24th of August 2012 using the ENSCO-109 jack-up drilling rig and is expected to take up to 60 days to complete. Eni has 60 days following the conclusion of Heron South-1 drilling to elect whether to fund a second Heron well to fully earn its 50% interest in the Heron area of the permit or withdraw from the Heron area in which case the participating interest reverts to MEO.

Heron South-1 will target the Heron South fault block to determine the extent of the gas column, the productivity of the Elang and Plover reservoirs and analyse the gas composition. MEO estimates the Greater Heron structure could contain mean prospective recoverable raw gas (ie inclusive of CO₂) resources 5 of Tcf, potentially sufficient to underpin an LNG development.

Blackwood Area

Eni to elect to drill Blackwood well by 5th January 2013

Eni also has an option to earn a 50% interest in the Blackwood area by acquiring a minimum 500 km² 3D seismic survey in the Blackwood area and drilling a well on the Blackwood structure.

Eni completed acquiring the 766 km² Bathurst 3D seismic survey over Blackwood East on the 5th of January 2012. Eni has 365 days from the completion of the survey to elect whether to drill Blackwood-2 to fully earn its 50% interest in the Blackwood area of the permit or withdraw in which case the participating interest reverts to MEO.

Eni is a major participant in the region and in November 2011 acquired a 40% interest in the adjacent Evans Shoal Field for US\$250m cash and a deferred consideration of US\$100m.

Development Plans

Potential carry of costs to FID plus \$75 million bonus payment

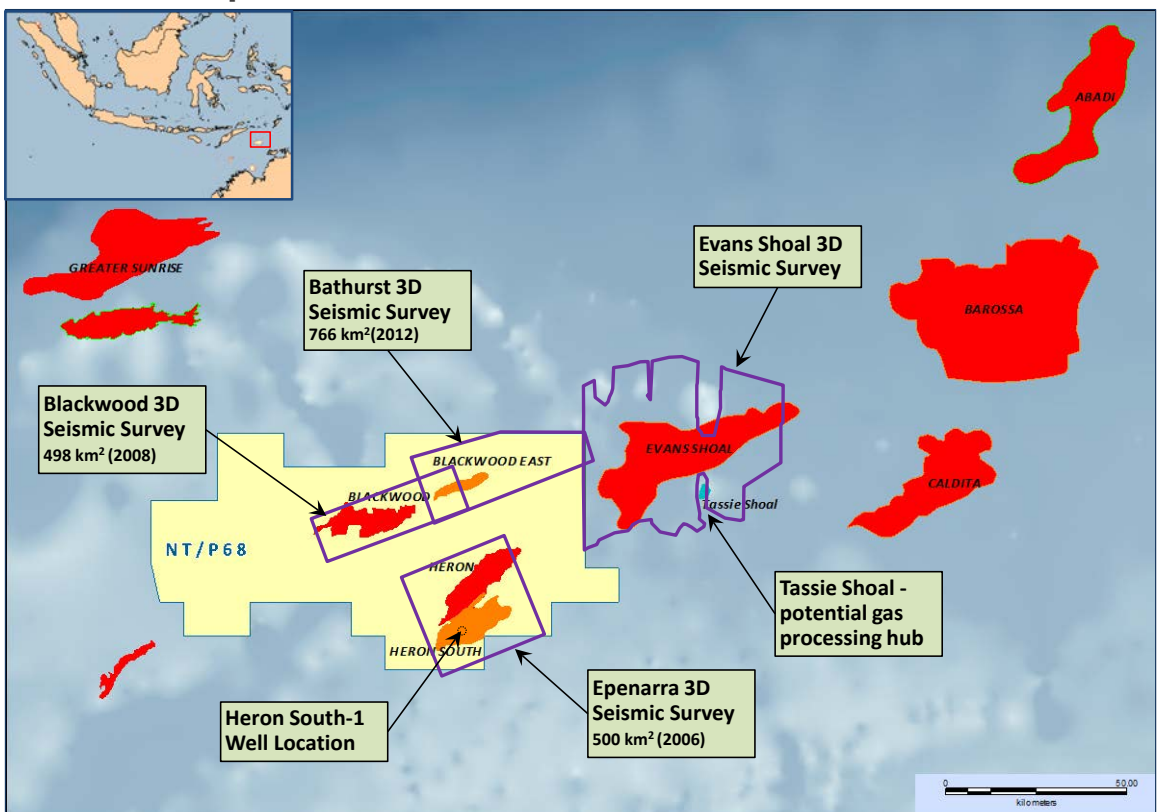
Under a provision of the Farmin agreement, Eni has a further option to acquire an additional 25% interest in both areas of the permit by funding MEO's share of the work programme (including additional appraisal wells) required to reach a Final Investment Decision (FID) for either a Heron and/or a Blackwood development. MEO will receive a one off bonus payment of US\$75 million for the first discovery to reach FID.

Following appraisal of the Heron and/or Blackwood gas discoveries the Joint Venture will evaluate all potential development options including consideration of incorporating a gas processing hub at Tassie Shoal, approximately 75 km from the Heron South-1 location.

Location Map

A cluster of undeveloped gas resources

Tassie Shoal a potential central gas processing hub location



Tassie Shoal Projects Overview

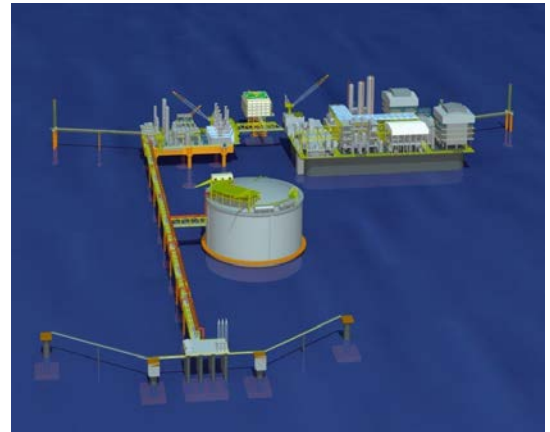
Tassie Shoal projects provide development options

Environmental approvals are in place

MEO has secured environmental approvals for a proposed 3.0 MTA LNG plant and two 1.75 MTA Methanol plants to be located at Tassie Shoal.

Pre-FEED development plans have been prepared and costed for the proposed developments. The LNG project has the potential to reduce LNG development costs by in excess of US\$2bn compared to FLNG or land based development while the methanol process utilises the CO₂ in the feed gas stream avoiding expensive geo-sequestration costs and difficulties in alternative development scenarios.

The projects have been granted Major Project Facilitation Status by the Federal Government Department of Infrastructure and Transport.



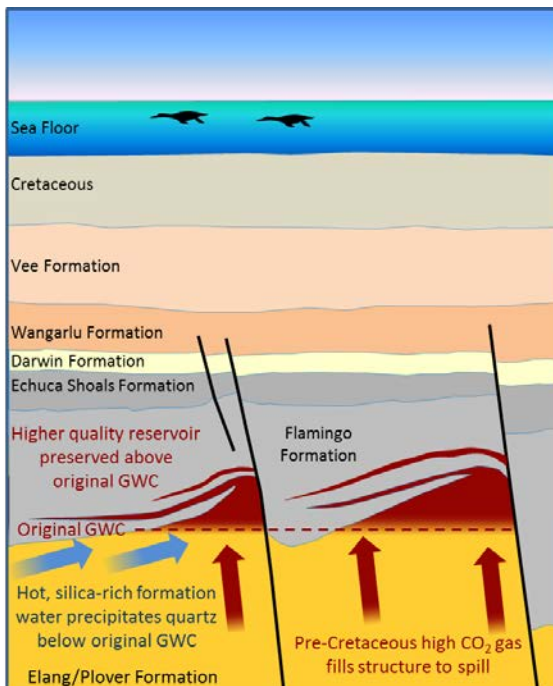
Resource Description

Heron-2 tested gas but did not reach the GWC

Heron-2 was drilled by MEO into the Heron North structure in 2007/08. Although the well encountered and tested gas, operational difficulties caused drilling to cease prematurely without determining the gas water contact (GWC). It is believed that collapse of the well bore during flow test caused only an isolated upper stringer to contribute to the flow. Gas quality recovered during the DST was inconsistent with more liquids rich gas observed in the mud returns while drilling the lower section of the hole. The variation in gas quality is postulated by MEO as being due to the later generation of liquids rich, low CO₂ gas from the Flamingo formation in the adjacent Malita Graben as the area subsided and heated after the Cretaceous era.

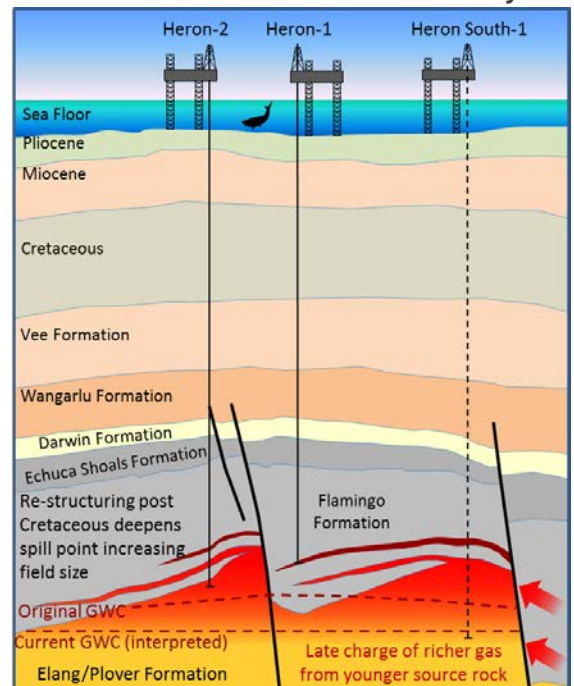
Liquids rich signatures in Heron-2 mud gas explained by late charge

Structural Cross Section - Late Cretaceous



Early fill of high CO₂ gas prevents circulation of formation water preserving reservoir quality above gas water contact (GWC).

Structural Cross Section - Present Day



Late charge from younger source rock mixes with early gas fill from re-structured field and lowers GWC to new spill point.

Potential LNG scale resource

Greater Heron Structure (Prospective Resource)

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).

| 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.