



MEO Australia Limited

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REPORT ON ACTIVITIES
FOR THE QUARTER ENDED
31 DECEMBER 2007

COMPANY'S ACTIVITIES DURING THE QUARTER

During the quarter, the Company and Petrofac Limited undertook drilling operations in NT/P68. MEO also initiated and managed the acquisition of 3D seismic in WA-360-P and WA-361-P, and 2D seismic in WA-359-P.

The Company completed capital raising activities during the quarter, raising an additional \$62.5 million before costs via a placement of 50 million shares at A\$1.25 per share made to Australian, United Kingdom and European institutional, professional and sophisticated investors. The number of shares on issue at the end of the quarter stands at 385,931,570.

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 and discovery 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 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.

At the end of the quarter, Heron-2 had drilled to 4182mMD. The joint venture partners approved production testing of the Darwin formation on December 5, 2007 and were in the

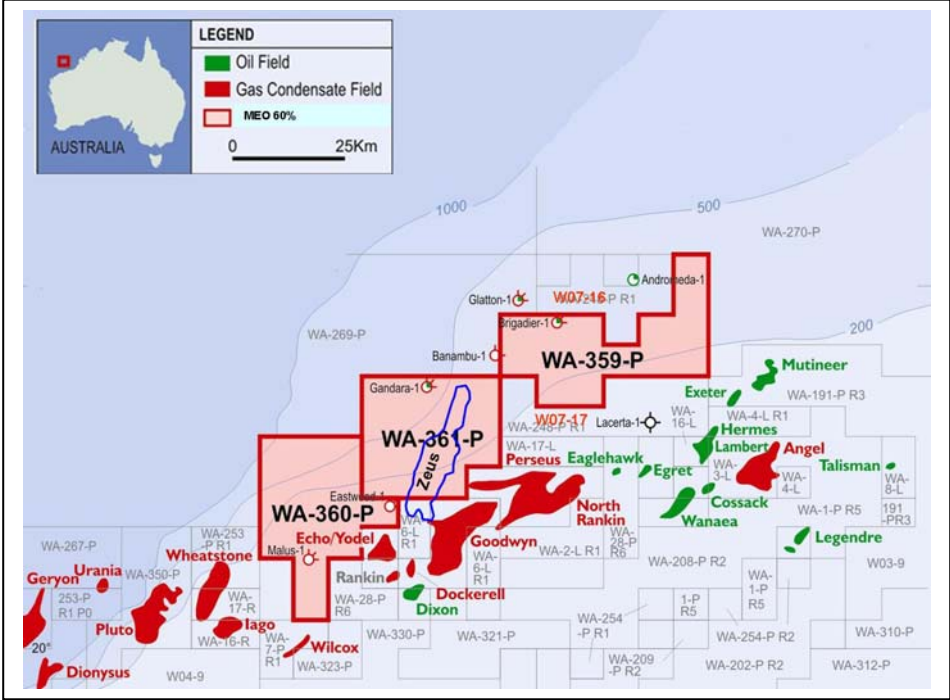
process of reviewing the log data through the Elang/Plover formation already drilled to also consider approval of production testing of the Elang/Plover sands.

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.

Blackwood-1 is targeting the Blackwood Prospect to test Middle Plover sandstone reservoirs on a northeast – southwest trending tilted fault block at the hingeline between the Sahul Platform and the Malita Graben.

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 will be acquired in February 2008 thereby fully meeting the seismic acquisition obligations. 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%.



MEO has carefully reviewed the existing 2D and 3D data, which covers a large portion of the permits. 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. Data reprocessing has commenced on one of these existing surveys to recover 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 reviewed the capital cost assumptions for the facility and is currently preparing the basis of design documentation to initiate front-end engineering and design (FEED) studies in 2008. The Company also initiated a 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.



Christopher Hart
Managing Director
January 31, 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 December 2007

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(36,405)	(46,360)
(b) development	(63)	(65)
(c) production	-	-
(d) administration (including GST)	(1,165)	(3,465)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	936	1,956
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other expense recoveries	850	1,470
Net Operating Cash Flows	(35,847)	(46,464)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	(4)	(6)
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)	-	-
Net investing cash flows	(4)	(6)
1.13 Total operating and investing cash flows (carried forward)	(35,851)	(46,470)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.	63,000	63,200
	Proceeds from Share Purchase Plan	-	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	(1,445)	(2,624)
Net financing cash flows		61,555	70,964
Net increase (decrease) in cash held		25,704	24,494
1.20	Cash at beginning of quarter/year to date	68,899	70,929
1.21	Exchange rate adjustments to item 1.20	(117)	(937)
1.22	Cash at end of quarter	94,486	94,486

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	56
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	65,000
4.2	Development	-
Total		65,000

Estimated cash inflows for next quarter

Total	-
Total	-

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	21,164	25,232
5.2 Deposits at call	73,322	43,667
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	94,486	68,899

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 Preference securities <i>(description)</i>	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 +Ordinary securities	385,931,570	385,931,570	-	-
7.4 Changes during quarter				
(a) Increases through issues	50,000,000	50,000,000	125	125
(b) Decreases through returns of capital, buy-backs	1,000,000	1,000,000	50	50
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 +Convertible debt securities <i>(description)</i>	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through securities matured, converted	-	-	-	-
7.7 Options <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	1,000,000	1,000,000	50	50
7.10 Expired during quarter	-	-	-	-
7.11 Debentures <i>(totals only)</i>	-	-		
7.12 Unsecured notes <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 January, 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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