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ASX & Media Release

Elects not to exercise WA-359-P drill option – relinquishes permit

Key Points:

- **Drill/drop option over WA-359-P expired close of business 31st December 2009**
- **Defined lead in permit not sufficiently de-risked to warrant drilling commitment**
- **60% interest will be re-assigned to original farmors – Cue Energy and Exoil**

MELBOURNE, AUSTRALIA (**January 4th, 2010**) MEO Australia Limited (ASX: **MEO**) advises that its drill/drop option over WA-359-P expired unexercised at 5pm on 31st December 2009.

Technical studies have not sufficiently de-risked the Hephaestus lead identified by MEO in the permit to warrant committing to funding 100% of the Permit Year 6 well commencing 1st February 2010.

Consequently, MEO's 60% interest in the permit will be re-assigned in equal proportions to the original farmors Cue Energy (ASX: **CUE**) and Exoil (unlisted).

Jürgen Hendrich

Managing Director & Chief Executive Officer