

ASX & Media Release

Update on Tassie Shoal Projects development activities

Key Points:

- Negotiations are continuing for the long term sale of methanol from the first Tassie Shoal Methanol Plant (“TSMP₁”)
- Potential broader strategic partnerships are being considered
- Major update of technical design basis and cost estimates being commissioned

MELBOURNE, AUSTRALIA (10th September, 2012).

MEO Australia Limited (ASX: **MEO**; OTCQX: **MEOAY**) provides the following update in relation to the continuing project development activities related to the Tassie Shoal suite of projects.

Following receipt of Expressions of Interest from major international industry participants for 8.3 million tonnes per annum of methanol offtake from the first Tassie Shoal Methanol Plant (TSMP₁)*, MEO has been actively engaged in negotiations to shortlist its preferred long term buyers, including maturing the commercial basis for long term sales of methanol from TSMP₁. It is envisaged that the long term sales contracts will provide the revenue certainty required to support external financing requirements for the project’s development.

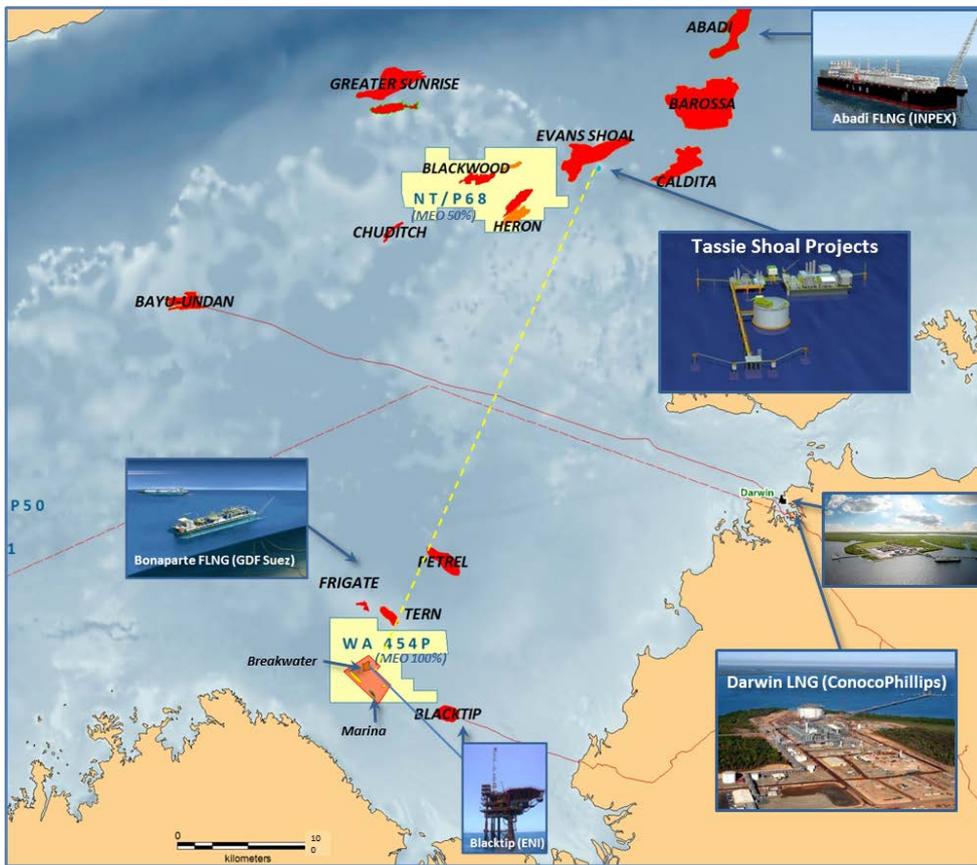
In addition, a number of parties have also sought to explore broader synergistic strategic partnerships across the midstream and upstream value chain. Exploratory discussions to consider such long term partnerships are continuing in parallel.

A high level of regional resource appraisal occurs in 2012-3



On the feed-gas supply front, MEO and its potential partners are considering the implications of suitable gas being available from MEO equity sources, including the discovered Heron and Blackwood gas discoveries currently being appraised as well as potential gas from equity prospects, such as the Breakwater prospect in WA-454-P (MEO 100%). The unprecedented planned appraisal of regional discovered resources is also anticipated to provide the opportunity to consider third party gas supply opportunities.

* see ASX release 12/4/2012



MEO's Tassie Shoal site is ~400kms from MEO's 100% owned Breakwater prospect

In parallel with the maturing of the evaluation activities, MEO is commissioning major updates of the third party engineering studies that underpin the technical design basis and financial cost estimates for both the Tassie Shoal Methanol and LNG developments.

MEO's Executive Manager Business Development Robert Zammit commented:

"The value of the Tassie Shoal development concept is crystallising for those parties that have considered the alternative development concepts for the surrounding resources. The opportunity exists to commercialise regional stranded resources in a profitable way for all stakeholders. The complex series of negotiations currently underway are a pre-requisite to capturing the highest value opportunity for shareholders in developing the Tassie Shoal precinct."

Tassie Shoal Methanol Project

(MEO 100%)

Environmental approvals secured

Proposed Methanol Development

MEO has secured Australian federal and state government environmental approvals for two 1.75MTA Methanol plants to be located at Tassie Shoal.

Pre-FEED stage development plans

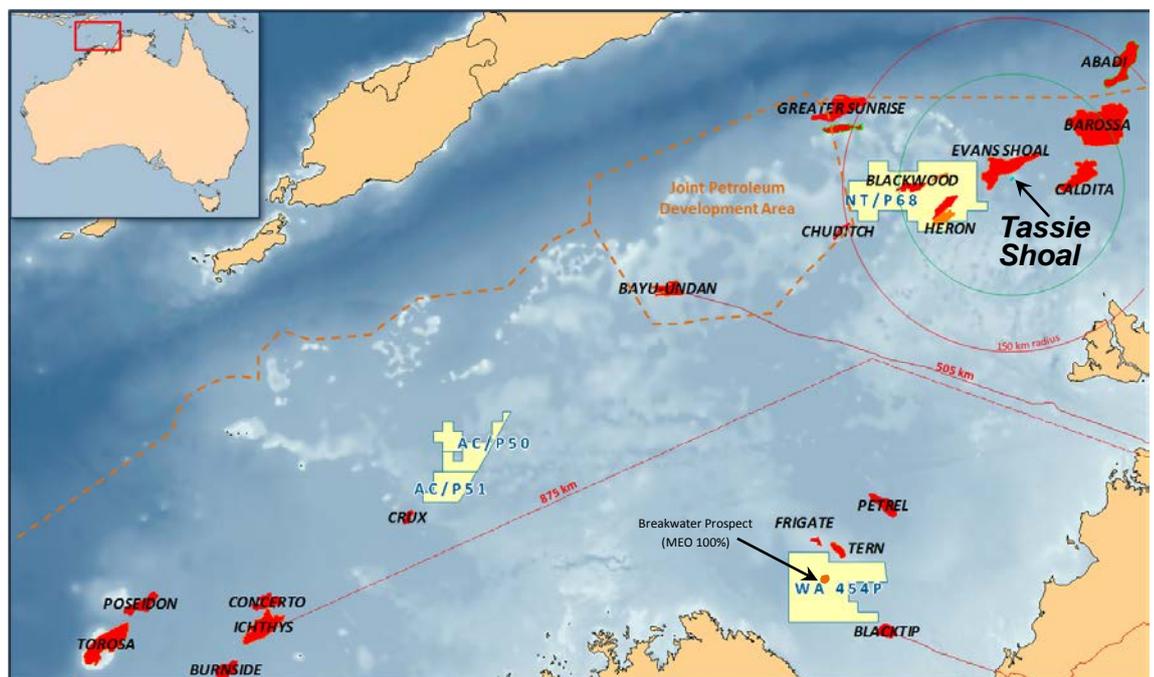
MEO has developed detailed pre-FEED development plans for the production of Methanol using a concept developed by the world's leading upstream oil and gas and downstream chemical industry designers.

MPF Status granted

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

Location Map

Central location in rapidly growing hydrocarbon province



Project Overview

Established technology in unconventional location

The Tassie Shoal Methanol Project ("TSMP") combines established proven technology in an innovative way to address the commercialisation challenge for regional high CO₂ resources.

Tassie Shoal is surrounded by a number of large, undeveloped gas fields, some of which have high (>10%) CO₂ levels which poses a significant economic and environmental development challenges for offshore gas fields. Using the Tassie Shoal shallow water area (~15m depth) close to feedstock gas sources approximately 275km north west of Darwin combined with methanol production, many of the capital cost drawbacks of an onshore or deep water based development are mitigated.

In addition to locational capital cost benefits, the methanol process utilises the CO₂ in the feed gas stream in the production of methanol avoiding expensive geo-sequestration costs and difficulties in alternative development scenarios.

Key Project Metrics

Water Depth: 15m
 Plant Capacity (each): 1.75MTA
 Technology: Davy Process Technology SMR
 Processing platform: Gravity Based Structure
 Offloading: Single Point Mooring or Jetty
 Gas feed assumption: 10-28% CO₂
 Process Deck 180m x 100m
 Storage: 20 days production within CGS
 Fabrication Location: South East Asia - TBC



MPF Status provides Government coordination assistance

About Major Project Facilitation Status

The Major Project Facilitation (MPF) program is administered by the Department of Infrastructure and Transport on behalf of the Minister for Infrastructure and Transport. Where appropriate, the MPF service will endeavour to ensure that Commonwealth approval processes are coordinated between the relevant state and territory government approval processes.

Surrounding Area Activity**Heron/Blackwood (NT/P68)**

Eni and MEO are currently engaged in a program to appraise the Heron and Blackwood discoveries after which development options will be considered.

Evans Shoal (NT/P48)

The Evans Shoal gas discovery lies directly adjacent to NT/P68 and only 10 km from Tassie Shoal. In October 2011 Santos reached agreement with Eni to divest their 40% interest in the Evans Shoal field for up to US\$350 million. An appraisal well is planned for late 2012. The permit, which is operated by Shell, currently expires in December, 2012.

Barossa (NT/P69)

The last well drilled in the permit in 2006 tested 16% CO₂ gas. In June 2012 SK E&S farmed into both NT/P69 and NT/P61 earning up to a 49.5% interest in both permits for funding up to US\$520 million in carry obligations and contingent milestone payments. Three appraisal wells are planned for 2013. The permit, which is operated by ConocoPhillips, currently expires in October 2013.

Caldita (NT/P61)

The last well drilled in the permit in 2007 tested 13% CO₂ gas. In June 2012 SK E&S farmed into both NT/P69 and NT/P61 earning up to a 49.5% interest in both permits for funding up to US\$520 million in carry obligations and contingent milestone payments. The permit, which is operated by ConocoPhillips, currently expires in October 2013.

Greater Sunrise (NT/RL2, NT/RL4, JPDA 03-19, JPDA 03-20)

Woodside and their joint venturers have proposed a 4MTA Floating LNG option for the gas resource located at Greater Sunrise, which partly lies within the Joint Petroleum Development Area cooperatively administered by Australia and Timor-Leste. The Timor-Leste authorities have indicated the development concept is unacceptable, seeking instead a pipeline to Timor-Leste.

High activity region with undeveloped, proven gas resources

Tassie Shoal LNG Project

(MEO 100%)

Proposed LNG Development

Environmental approvals secured

Pre-FEED stage development plans – US\$2bn cost savings

MPF Status granted

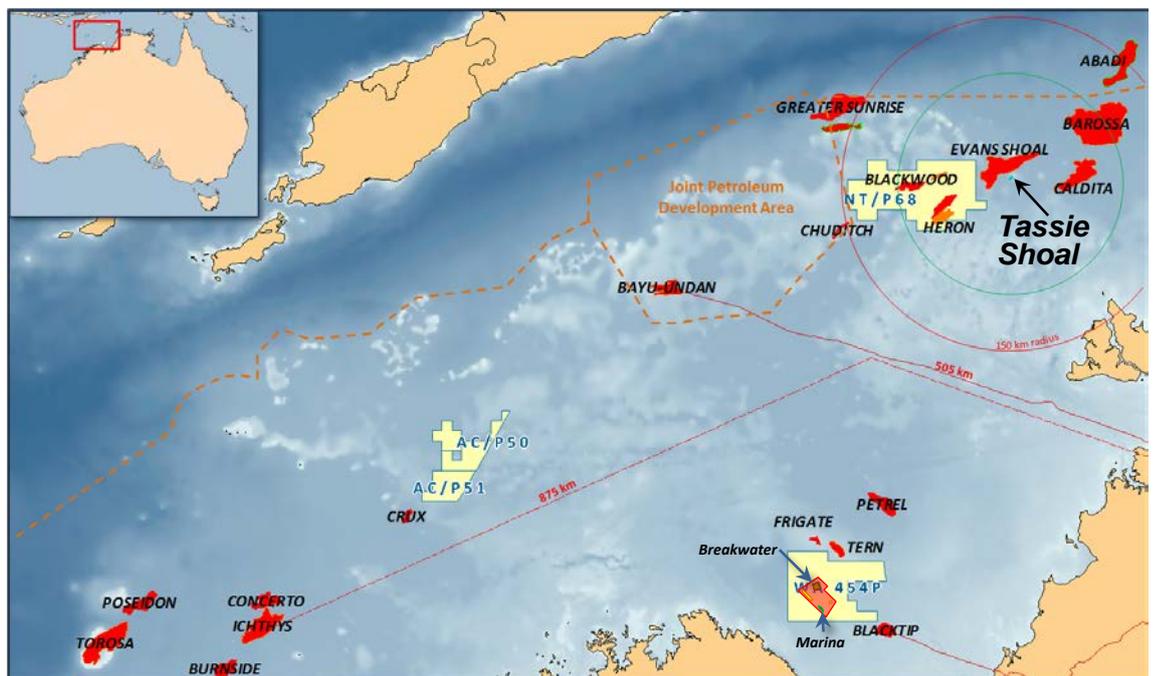
MEO has secured environmental approvals for a proposed 3.0MTA LNG plant to be located at Tassie Shoal. The location is adjacent to many undeveloped gas resources in the region including the Blackwood and Heron discoveries in the nearby NT/P68 exploration permit (MEO 50%).

Pre-FEED development plans have been prepared and costed for the proposed development which has the potential to reduce LNG project development costs by in excess of US\$2bn compared to FLNG or land based development.

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

Location Map

Central location in rapidly growing LNG province



Project Overview

The project is an alternative commercialisation path to land based LNG for any of the remote gas resources in the region. The design basis is that high value liquids would be removed from the raw gas at the field location and dry gas piped to Tassie Shoal for processing into LNG.

Established technology in unconventional location

Key Project Metrics

- Water Depth: 15m
- LNG Capacity: 3.0MTA
- Processing platform: Jack-up steel structure
- LNG Storage: 170,000 m³ (10 days production)
- Offloading: Conventional Jetty
- Capital Cost (excluding upstream): US\$2.1 bn
- Gas feed assumption: <3% CO₂
- Plant Deck Area: 100m x 50m
- LNG Process: APCI Dual Mixed Refrigerant
- Process Cooling: Indirect seawater heat exchange
- Fabrication Location: South East Asia - TBC



Indicative Cost Savings over Land Based or Floating LNG

The proposed development plan significantly reduces project costs by reducing pipeline distances and allowing the plant to be fabricated in a low cost South East Asian location for installation in one module.

The following comparison table details MEO's estimate of indicative costs for development of 3.6 MTA LNG plants supplied from an indicative low CO₂ gas resource within 150km of Tassie Shoal.

Significant savings over floating and land based LNG

Estimated costs (US\$M)	Land Based (Darwin) LNG	Floating LNG	Tassie Shoal LNG
LNG Plant Costs	2,450	7,130	1,240 ^①
Condensate/LPG FPSO	900	Incl. in LNG FPSO	900
Pipeline (field to plant)	1,200 (450km)	Not Required	330 (150km)
LNG Storage Tank	320	Incl. in plant costs	320
Jetty	250	Incl. in plant costs	270
Project Development & Owners Costs	220	340	120
Upstream Development Allowance (wells etc)	2,500	2,500	2,500
Total Development Cost	\$7,840m	\$9,970m^②	\$5,680m

^① scaled up from 3.0MTA design basis covered by existing environment approval

^② extrapolated from Prelude published data, reduced for CO₂, liquids content and repeat build savings.

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