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REPORT ON ACTIVITIES FOR THE QUARTER ENDED 31 MARCH 2007

COMPANY'S ACTIVITIES DURING THE QUARTER

During the quarter, the Company appointed Upstream Petroleum (AGR) to assist in the management of the 2007 drilling program in the Company's Exploration Permit, NT/P68. Further interpretation and mapping was also initiated utilizing the newly acquired 2D and 3D seismic data. Optimisation studies and capital cost reviews were conducted in relation to its proposed LNG and methanol projects.

PETROLEUM EXPLORATION PERMIT NT/P68 (MEO 100%)

This 12,070 square km permit is located immediately to the west of Tassie Shoal (approximately 25 km). 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 TSMP and the TSLNGP.

Epenarra, along with the other identified prospects in the permit, Heron North, Heron South, Blackwood and Seahawk, collectively, are estimated to have a potential mean gas in place value that could exceed 14 Tcf. The Epenarra and Heron structures were intersected by the Heron-1 well drilled by Arco in 1972.

3D seismic data was acquired in late 2006 to identify the density, distribution and orientation of faults and fracturing within the 50m gas bearing zone of Epenarra intersected by the Heron-1 well to determine the optimum location for an appraisal well and production test.

New 2D seismic data was also acquired in 2006 as infill data to better define the Blackwood prospect. The new 2D data has been fully processed with interpretation and mapping well underway. Final mapping of Blackwood is expected to confirm the optimum well location to test the Blackwood structure.

The Company previously advised that CSIRO Petroleum was engaged to conduct hydrocarbon inclusion and Raman Laser microprobe testing on cutting and core samples

obtained through the gas charged zones of Epenarra from the Heron-1 well. Mass-balance calculations derived from the CSIRO study results confirmed that the hydrocarbon inventory in Epenarra would most likely have a high condensate gas ratio (CGR) (~100bbls/MMscf) and contain low levels of CO₂ (1 to 3%).

It was originally thought that the Heron-1 well did not reach the deeper Plover Formation target reservoirs. However, Heron-1 did finish in a gas charged sandstone. Further examination of the bottom hole core samples confirm that this gas charged sandstone was most likely the Top Elang/Plover Formation sandstones and the Company has continued the CSIRO studies to continue hydrocarbon inclusion and Raman Laser microprobe testing on these deeper samples in an attempt to confirm the Plover Formation gas quality. The results of this additional geochemistry investigation is expected later in April, 2007

As previously advised, the Company secured a new jack-up rig to drill up to three wells in NT/P68. The rig is expected to arrive in September 2007. The Company has secured the necessary well casing and wellhead equipment for the drilling program and has commenced detailed well design and engineering.

The 3 Mtpa LNG plant requires approximately 3 Tcf of gas to operate for 20 years. The first methanol plant would target poorer quality (high CO₂) gas that is often found in the Bonaparte Basin, and requires approximately 1.3 Tcf to operate for 20 years.

TIMOR SEA LNG PROJECT (MEO 100%)

Background Information:

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.

During the quarter, Worley Parsons completed studies to optimize the power generation equipment design and confirm the capital cost assumptions for the LNG production plant and utilities.

Additionally, the Company is investigating alternative designs for LNG product loadout. Torp Technology has been engaged to design a dedicated loading system for Tassie Shoal facilities based on the Torp HiLoad LNG technology as depicted below. This technology utilizes flexible LNG hoses that have recently been fully certified for commercial use. The loading system would significantly improve loading availability and avoid the higher operating costs associated with jetty docking and tug boat assistance.

In targeting the rapidly expanding markets in northeast Asia, the LNG project could provide a highly competitive LNG supply option to the buyers with clear shipping time and sovereign risk advantages. The world LNG market continues to demonstrate strong demand, particularly from Northeast Asia, Europe and the USA.

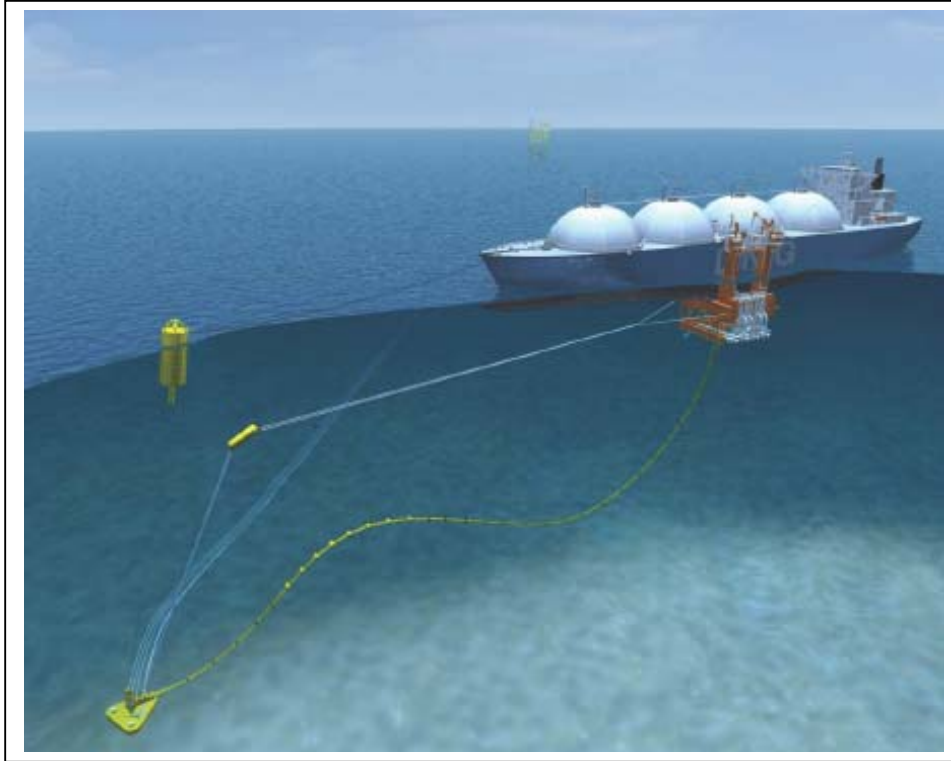


Image of the Torp LNG loading technology being considered for the TSLNGP

TASSIE SHOAL METHANOL PROJECT (MEO 50%)

Background Information:

The Company and Air Products and Chemicals, Inc. continue to develop the Tassie Shoal Methanol Project (TSMP) under the terms of the joint development agreement (JDA). 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.

The Company continues to focus on the resolution of gas supply arrangements to allow the project to proceed to front-end engineering and design (FEED) studies and EPC selection. While discussions continue for third party gas supply, at this time, the Company is focusing on the establishment of commercial gas reserves in its own permit, NT/P68.

A handwritten signature in black ink, appearing to read 'Christopher Hart', with a long horizontal stroke extending to the right.

Christopher Hart
Managing Director
Melbourne, Australia
April 30, 2007