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Quarterly activities report for Quarter ending 30th September 2009

Key Points

- Integrated processed Artemis 3D seismic survey into WA-360-P evaluation
- Upgraded P50 volumetric estimates for Artemis prospect to ~12 Tcf recoverable
- Closed WA-360-P data room August 14th
- Closed farm-in offers on 1st September
- Currently advancing farmin negotiations towards a binding agreement
- Commenced acreage renewal application for NT/P68
- Consolidated cash balance at 30th September A\$15.6m

MELBOURNE, AUSTRALIA (13th October, 2009) -- MEO Australia Limited (ASX: MEO) provides the following update in relation to its activities for the quarter ended 30th September 2009.

WA-360-P (MEO 70%, Operator, Cue Energy 15%, Moby Oil & Gas¹ 15%)

MEO received the processed 250 km² Artemis 3D seismic survey in early July. The new data has provided velocity data to the north of the existing 2007 MEO 3D seismic data which extends the Artemis prospect further to the north. The data, together with new biostratigraphic age dating resulted in the interpretation of a thicker Jurassic reservoir than previously thought.

The combination of these factors has increased the P50 gas-in-place estimate to 20.3 Tcf for the Calypso and Legendre reservoirs. Applying a 60% recovery factor yields an estimated P50 undiscovered gas resource of approximately 12 Tcf.

The newly interpreted data was made available to prospective farm-in partners on 14th July and the data room availability was extended to 14th August to allow companies time to assimilate this new data. MEO asked for indicative offers to be submitted by 30th September.

The tight farm-out timetable was set in order to ensure MEO had secured the funding to trigger the year 5 well obligation in the permit by 31st December 2009.

While all parties have been working diligently towards a 30th September timeframe to close the transaction, as that date approached, it was apparent that negotiations required more detailed dialogue and consequently additional time. MEO advised on 25th September that it expected negotiations to be concluded during October. Negotiations have advanced since then, and at this stage remain ongoing.

WA-361-P (MEO 35%, Operator, RDI* 35%, Cue Energy 15%, Gas Corp 15%)

MEO submitted its Annual Reports to the regulatory authorities during the quarter.

WA-359-P (MEO 60-70%, Operator, Cue Energy 15-20%, Exoil 15-20%)

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¹ On 29th September, Gas Corp vended its wholly owned subsidiary Rankin Trend into Moby Oil & Gas in exchange for 120 million shares in Moby. Refer ASX release.

NT/P68 (MEO 90-100%)

MEO began preparing its acreage renewal application for the permit during the quarter. This renewal will be for 5 years from February 2010 and comprises a 3 year firm commitment and 2 year optional commitment work program. The renewal application will be submitted during the December quarter.

A competitor's divestment process of their 40% operated interest in the nearby Evans Shoal gas field did not result in a transaction. Consequently, MEO resumed its efforts to engage with the Operator to discuss its ideas for a development hub at Tassie Shoal.

MEO continued discussions with its Joint Venture partner in relation to restructuring the partly earned equity interest.

Approved Gas Processing Projects (MEO 50-90%)

The company held discussions with a number of parties that appreciate the potential value of the Tassie Shoal infrastructure hub concept and understand the economic benefits of methanol sequestration for CO₂. These discussions are developing however remain at an early stage.

New venture opportunities

MEO evaluated a number of New Venture opportunities during the quarter.

Cash balance at end of quarter

A\$15.6m.

Priorities for the quarter ended 31st December-2009

- Complete farm-out process for WA-360-P
- Conclude discussions with Petrofac in relation to restructuring interests in NT/P68 Joint Venture and approved gas processing projects
- Submit acreage renewal application for NT/P68
- Continue discussions with prospective partners for Tassie Shoal gas processing hub
- Seek attractive new venture opportunities to broaden the portfolio



Jürgen Hendrich

Managing Director & Chief Executive Officer

October 13th, 2009