

ASX & Media Release

Seruway PSC - Gurame SE-1X Progress Report No. 7

Key Points:

- Bottom hole assembly parted 35m behind the bit while conditioning hole
- Well plugged back to 2,048mMDRT and 12 ¼" sidetrack drilled to 2,099mMDRT
- Currently drilling ahead to casing point

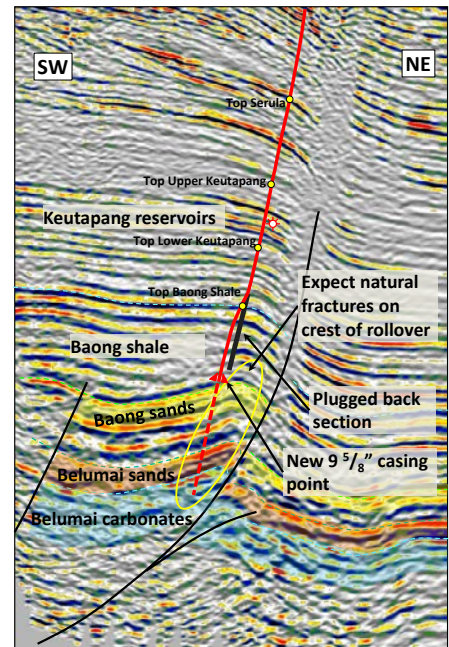
MELBOURNE, AUSTRALIA (22nd October, 2012)

MEO Australia Limited (ASX: **MEO**; OTCQX: **MEOAY**) advises the following update in relation to the Gurame SE-1X well being drilled offshore North Sumatra in the Seruway PSC using the Hercules #208 drilling rig.

Since the last report, the hole was conditioned prior to running casing. When the drill string was retrieved some 35m of the bottom hole assembly (BHA) remained in the hole. A decision was made to plug back and sidetrack the hole rather than attempt to retrieve the section of BHA.

The well has been plugged back to 2,048mMDRT and the sidetrack is currently drilling ahead in 12 ¼" hole at 2,099mMDRT.

The forward plan is to drill 12 ¼" hole to the top of the Baong sands and install 9 5/8" casing prior to drilling out into the first target reservoir, the Baong sands.



Progress Summary

Progress since last report:

- Conditioned 12 ¼" hole prior to re-running casing
- Left 35m of bottom hole assembly in the hole
- Plugged back to 2,048m and commenced drilling sidetrack

Present Operation (at 22.00hrs Jakarta time, 21st October)

- Drilling ahead in 12 ¼" sidetrack hole at 2,099mMDRT

Outlook:

- Drill sidetrack to top of Baong sands
- Run and cement 9 5/8" casing
- Drill and cut cores to approximately 3,374mMDRT

An overview of Gurame is provided overleaf and a detailed technical supplement is attached.



Jürgen Hendrich
Managing Director & Chief Executive Officer



The Gurame gas and oil field was discovered in 1968. The first well drilled on the field encountered hydrocarbons and experienced a loss of control (blowout) from the Baong Sandstone. Subsequent wells were drilled in a manner to prevent a recurrence of this unfortunate event. MEO's technical assessment is that the drilling practices employed may have compromised reservoir performance.

Although the blowout demonstrated both the presence of hydrocarbons and the ability of the reservoir to flow at high rates, high mud weights used in the subsequent wells at this time may have damaged the reservoir close to the well bore, leading to uncertainty about reservoir performance. Formation Interval Tests (FITs) on these wells recovered both oil and gas low in CO₂ from several intervals.

The FIT data and all other available other data was collated and evaluated by SOEL under the direction of MEO and resulted in the interpretation summarised in the simplified cross section below.

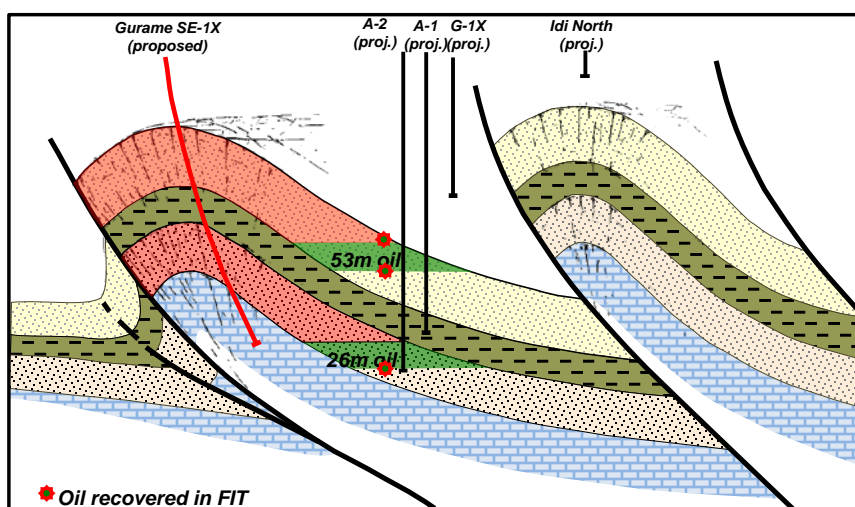


Figure 1. – Simplified Structural Cross Section

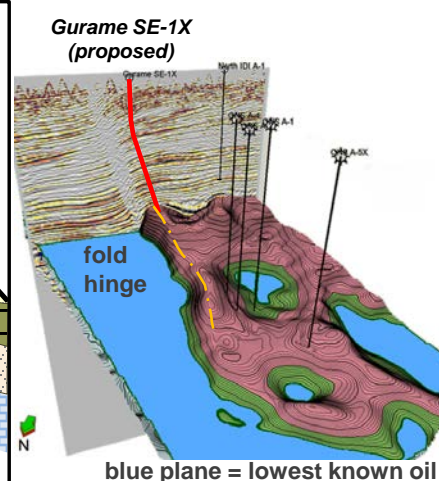


Figure 2. 3D render of Gurame field

Gurame SE-1X has been located near the crest of the closed structure which has been defined by modern 3D seismic data. A major objective of the well is to determine the performance capability of the Baong and Belumai reservoirs. Reservoir performance is likely to be enhanced by the expected development of natural fractures associated with the fold hinge adjacent to the crestal region of the structure. Drilling techniques will be employed to reduce the potential for formation damage.

MEO's internal resource assessment estimated the P50 recoverable resource of the Gurame field to be 0.5 Tcf of low CO₂ gas and 57 mmbbl of liquids.

Figure 2. - Gurame Prospective Resource Assessment - MEO Preliminary Estimate

Total Baong & Belumai Reservoirs	Unit	P90	P50	P10
Recoverable Hydrocarbon Gas	Bscf	273	497	863
Recoverable Oil and Condensate	MMstb	27	57	126

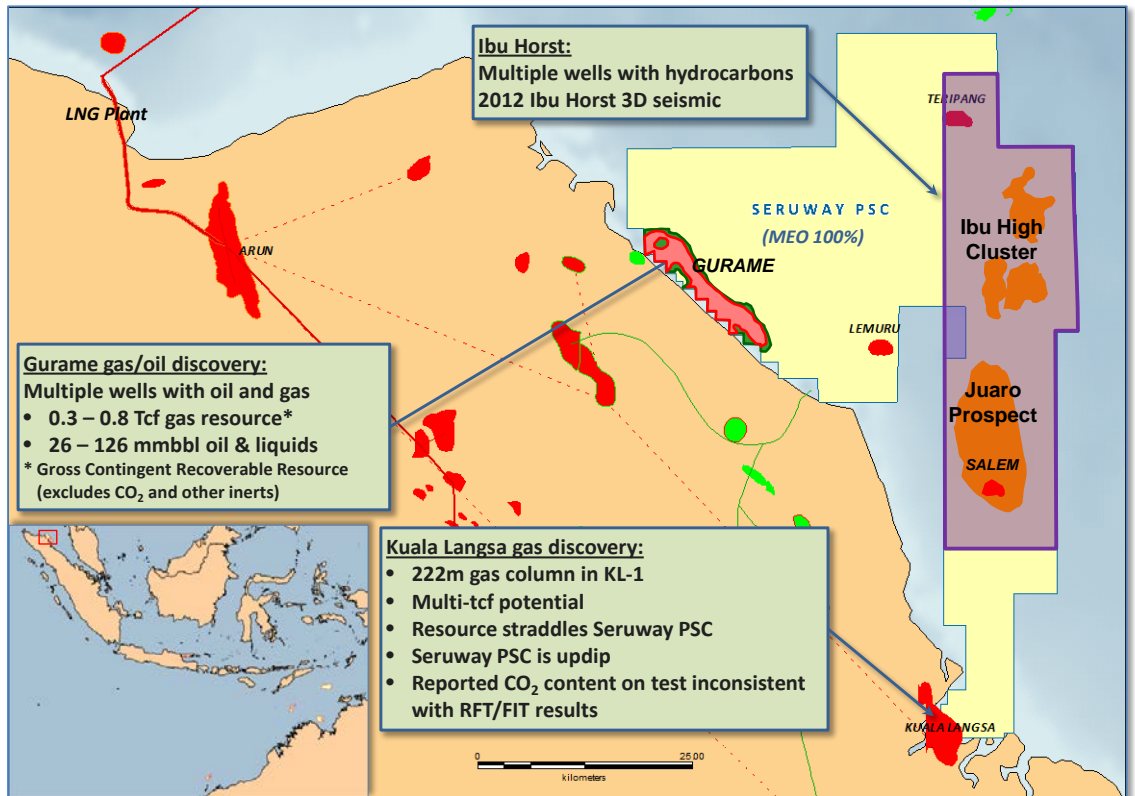
Subject to success of the well, the Gurame discovery represents the most likely current candidate for early development. Initial studies of potential development plans for the P50 resources case have included both a gas only development to supply local regional gas demand and an oil development with future gas cap blowdown.

Location

One PSC with multiple low risk opportunities

The Seruway Production Sharing Contract (PSC) is located within the offshore portion of the North Sumatra Basin, Indonesia and contains multiple existing gas and oil discoveries as well as undrilled prospects. Seruway Offshore Exploration Limited (SOEL), a wholly owned subsidiary of MEO Australia Limited, has 100% equity in the PSC and is the operator. The proposed Gurame SE-1X well will be drilled on the Gurame discovery, following-up on the oil and gas blow out in the 1968 ONS-A1 discovery well, to demonstrate reservoir productivity and establish commercial viability.

Seruway PSC location map:

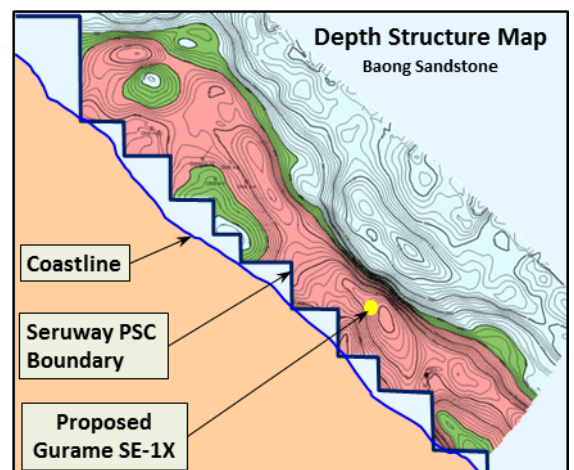


Gurame SE-1X Summary

Substantial resource potential

Gurame SE-1X is designed to test the deep gas potential of the structure, updip of existing well penetrations and will be drilled to a planned total depth of 3425mMD within the Miocene Belumai Formation.

The well will test an estimated (P50) 0.5 Tcf low CO₂ gas resource with a potential 57 MMstb liquids within the Baong Sandstone and Belumai Formation primary targets.



Gurame Prospective Resource Assessment - MEO Preliminary Estimate

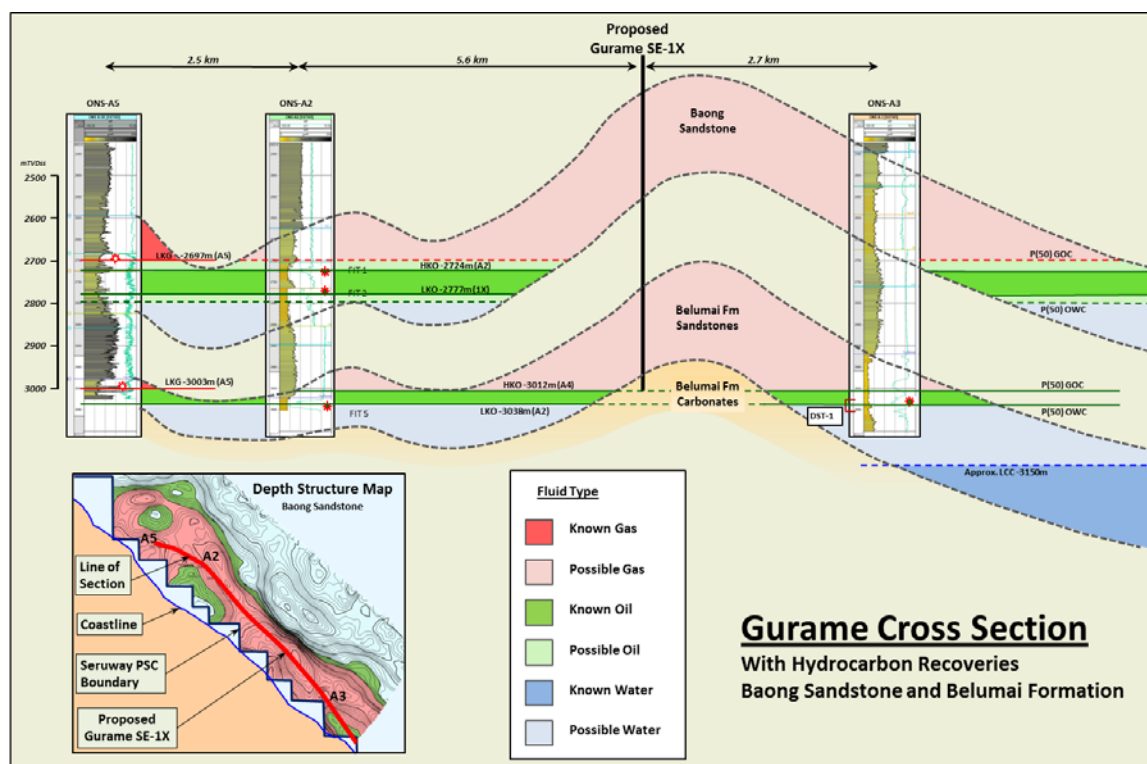
Baong Reservoir		Unit	P90	P50	P10
Recoverable Hydrocarbon Gas	Bscf		168	321	583
Recoverable Oil and Condensate	MMstb		18	41	86
Belumai Reservoir		Unit	P90	P50	P10
Recoverable Hydrocarbon Gas	Bscf		105	176	280
Recoverable Oil and Condensate	MMstb		9	16	40
TOTAL		Unit	P90	P50	P10
Recoverable Hydrocarbon Gas	Bscf		273	497	863
Recoverable Oil and Condensate	MMstb		27	57	126

Drilling updip from recovered gas and oil.

The Gurame structure is a prominent 4-way dip closed compressional feature which is faulted on the leading north eastern limb. Previous wells drilled on Gurame were located well down dip on the structure, outside of local closure but still recorded significant recoveries of oil and gas from within the Miocene Baong Sandstone and Belumai Formations. Definitive results from these wells were hampered by the fact that the wells were drilled highly overbalance due to the blow-out in the original 1968 ONS-A1 discovery well, which is thought to have caused significant formation damage.

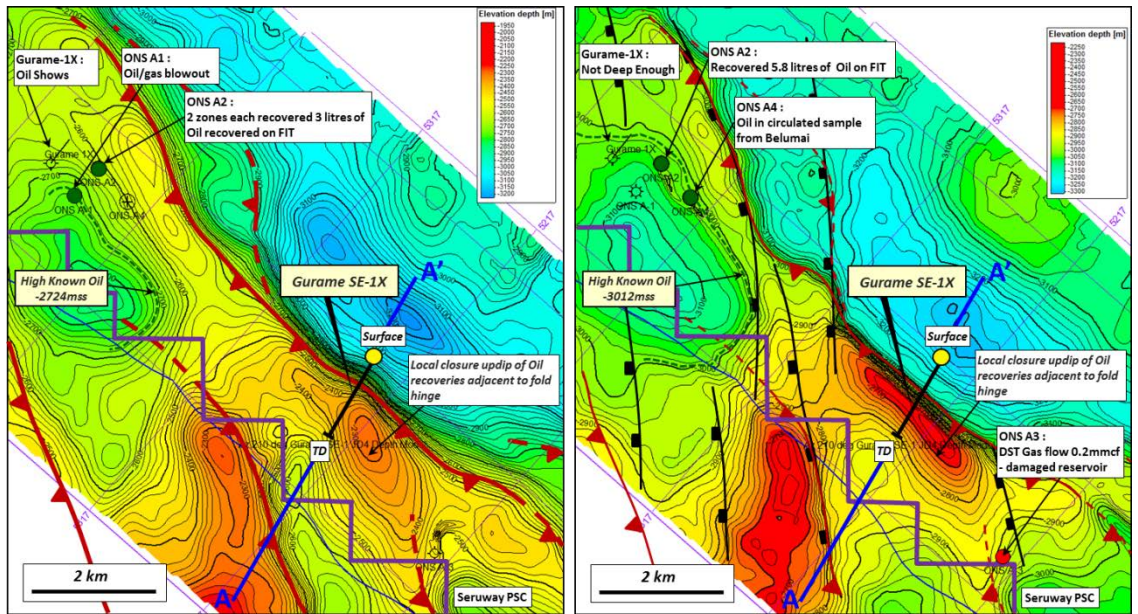
Well	Year	Hydrocarbon Recoveries
ONS-A1	1968	Oil & Gas blow out - Baong Sandstone
ONS-A2	1968	Oil & Gas recovery - Baong and Belumai
ONS-A3	1969	Gas flow - Belumai
ONS-A4	1969	Oil circulated in mud
ONS-A5	1972	Gas flow – Baong & Belumai
Gurame-1X	2008	Oil shows in Baong. TD above Belumai

Gurame schematic cross section:



Gurame SE-1X has been located to intersect the prospective deep reservoir section structurally up dip from existing well control, near the crest of the closed structure which has been defined by modern 3D seismic data. A major objective of the well is to determine the performance capability of the Baong and Belumai reservoirs. Drilling techniques will be optimised to limit formation damage.

Up dip local anticlinal closure well defined on 3D seismic at two reservoir levels.



Depth Structure Map – Top Baong Sandstone

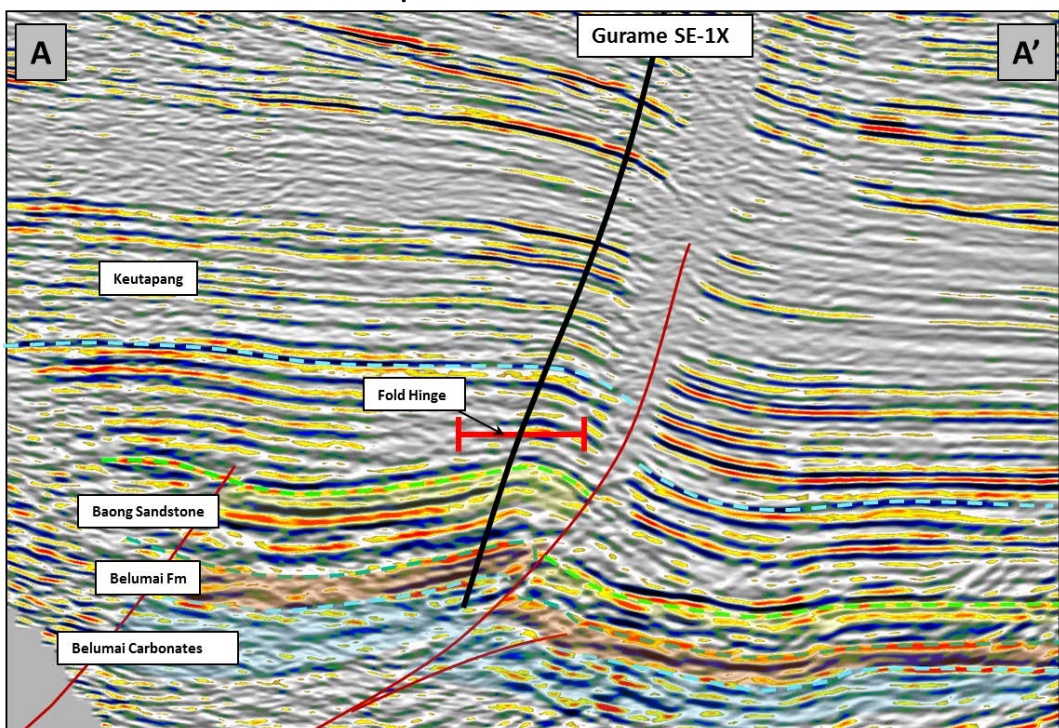
Depth Structure Map – Top Belumai Formation

Objective is to demonstrate deliverability of hydrocarbons at commercial rates

Objectives of the well are to establish the presence of hydrocarbon within local trap and to demonstrate reservoir deliverability at sufficient rates that would lead to a commercially viable development. Alur Rambong-1, located approximately 17km to the west, tested 21 mmcf/d of gas with 600 BPD of associated liquids from the Baong Sandstone in a similar trap setting, demonstrating that the reservoir is capable of production at commercially viable rates if the well is drilled in the optimum structural position. The well is being drilled approximately 375m updip of the highest known oil recovery from the Baong Sandstone and as such is expected to intersect the gas cap within a 235m thick gross reservoir interval.

Positioned on crest of structure close to fold hinge

Gurame SE-1X Well Profile on dip 3D Seismic Line



Well Targets

The well is planned to be drilled from a surface location in 10m of water and be deviated toward the south west to intersect the primary objectives of the Baong Sandstone and Belumai Formations within structural closure. The shallower Keutapang and Serula Formations form a secondary objective within the shallow section and have been proven to be productive on the north western end of the greater structure (ONS-A5). The deeper Belumai Carbonates form an additional secondary objective of the well and have the potential to be a separate or connected reservoir to that already established within the Belumai clastics. This interval is productive at the giant Arun field located approximately 55 km to the west

Rig contracted

The Hercules #208 shallow water jack-up rig has been contracted to drill the Gurame SE-1X exploration well on the Gurame gas and oil discovery.

Commercialisation**Attractive fiscal terms**

The Seruway PSC enjoys favourable fiscal terms with an after tax contractor take for oil of 25% and for gas of 40%.

Growing domestic gas demand – increasing gas prices

Domestic North Sumatra gas demand is currently greater than 120mmscd per day and is growing quickly with significant consumption from power and fertiliser industries. Additionally, with Indonesia now a net importer of energy, the Indonesian government and Pertamina have been renegotiating existing gas sale contract pricing to be commensurate with world competitive pricing, benchmarking new gas sales to commercialise internal gas resources.

Stand-alone development concept.

The Gurame development concept is for subsea-wells tied back to a stand-alone offshore production facility, incorporating gas conditioning and separation. In a gas development scenario, the gas production and delivery infrastructure construction would be accelerated to meet industrial customer demand. Current scoping provides for an offshore pipeline to transport gas to customers facilities however, the potential to optimise this by potentially using existing onshore infrastructure may be feasible. In an oil and gas development scenario, oil would initially be produced and off-taken via a floating storage and offloading vessel (FSO) with gas re-injected for enhanced oil recovery. After optimised oil production the gas cap would be blown down, with gas sold to domestic industrial consumers. Further appraisal drilling may be required to establish deliverability for production of the oil leg.

Attractive returns

Under conservative development and economic assumptions successful appraisal of the Gurame field yields attractive returns to the contractor, underpinning the commercial development of the resources.

Contacts

For more information regarding Gurame SE-1X, please contact:

Australian Office:

Robert Gard
Commercial Manager, MEO Australia Limited
Email: robert.gard@meoaustralia.com.au
Phone: +61 3 8625 6000

Indonesian Office:

Muslim Basya
President, SOEL Limited
Email: mbasya@soel.co.id
Phone: +62 21 573 1135