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ASX & Media Release

MEO opens NT/P68 (Heron) data room

Key Points:

- **MEO launches farm-out process to appraise the Heron gas discovery in NT/P68 (100% MEO)**
- **Greater Heron structure Best Estimate Prospective Resource potential now estimated at 5 Tcf**

MELBOURNE, AUSTRALIA (**14th October, 2010**)

MEO Australia Limited (ASX: **MEO**) has launched its process to farm-out a part of the NT/P68 permit in the Bonaparte Basin, Northern Territory. The 5,900 km^2 exploration permit is currently 100% owned by MEO and is in Permit Year 1 of a three year firm work program requiring the acquisition of 3D seismic and studies. The farm-out is confined to the 3,700 km^2 containing the Heron gas discovery and other prospectivity due to the potential for this area to host a potential LNG scale gas resource. MEO plans to retain the Blackwood gas discovery at 100% interest.

Heron-2 was drilled by MEO into the Heron North structure in 2007/08. Operational difficulties caused drilling to cease prematurely, without encountering a gas water contact (GWC). This leaves the potential for the interpreted gas column to extend another 210m below the base of the Heron-2 well to the interpreted structural saddle that spills to the nearby Evans Shoal gas field. Most of the discovered gas fields in the region are filled to their structural spill points. Heron-2 flowed gas to surface during an open hole drill stem test (DST) during which the hole bridged off immediately below the uppermost sand interval being tested, precluding any contribution from deeper in the hole. The gas quality recovered during the DST was inconsistent with more liquids rich gas observed in the mud returns while drilling the lower section of the hole.

MEO commissioned Gaffney Cline & Associates (GCA) to undertake an independent assessment of the reservoir parameters and "Contingent Resources" for the Heron North gas discovery. Table 1 summarises the Contingent Resource Estimates (discovered resource) for the Heron North structure calculated independently by GCA and MEO. Parameters used by MEO are based on the GCA work for recovery factor, gas saturation and gas expansion factor and on work based on the Schlumberger NT/P68 Reservoir Characterisation Report produced in July 2010, for bulk rock volume, net to gross, and porosity. Detailed assumptions used by GCA and MEO are illustrated in Table 3.

Table 1. Heron North (Discovered Resource)

Raw Gas Ultimate Recovery (Tcf)	1C	2C	3C
GCA Contingent Resource Assessment[1]	0.19	0.39	0.80
MEO Contingent Resource Assessment[1]	0.21	0.29	0.39

1. The GCA and MEO volumes reported in this table have NOT been reduced for non-hydrocarbon gas (CO_2, N_2) content. Expected ranges are shown in Table 3 below. MEO has limited the non-hydrocarbon gas (CO_2, N_2) content to that observed in the primary reservoir at Evans Shoal-2.

Table 2 contains MEO's assessment of the Prospective Gas Resource using the parameters detailed in Table 3. This assessment assumes the Greater Heron structure is filled to its structural spill point as are most of the gas fields in the region (refer Figure 2). When filled to this level, Heron North and Heron South are part of a single structure resulting in a significantly greater gross rock volume than the contingent resource estimate (refer Table 3 and Figure 2).

Table 2. Greater Heron Structure (Prospective Resource)

Raw Gas Ultimate Recovery (Tcf)	Low	Best Estimate	High
MEO Prospective Resource Assessment[2]	3.66	4.96	6.64

2. The MEO volumes reported in this table have NOT been reduced for non-hydrocarbon gas (CO_2, N_2) content. Expected ranges are shown in Table 3 below. MEO has limited the non-hydrocarbon gas (CO_2, N_2) content to that observed in the primary reservoir at Evans Shoal-2.

As part of the farm-out terms, MEO is proposing two appraisal wells - one on Heron South and one on Heron North – to ascertain whether the Greater Heron structure has the potential to host a gas resource of suitable scale and quality to underpin an LNG development. These appraisal wells will be designed to evaluate the potential of the entire Heron structure and will:

- evaluate areas interpreted to contain better porosities than observed in Heron-2 based on seismic inversion studies
- determine the depth of the GWC in both Heron North and Heron South, and
- production test the wells to determine reservoir productivity and gas composition

A number of parties have already registered interest in this farm-out and MEO looks forward to concluding a successful farm-out.

Jürgen Hendrich
Managing Director & Chief Executive Officer

Table 3. Assumption Table

	GCA Contingent Resource			MEO Contingent Resource			MEO Prospective Resource		
Parameter	**Low**	**Best**	**High**	**Low**	**Best**	**High**	**Low**	**Best**	**High**
Gas Water Contact (m)	4,113.4	4,133.7	4200.0	4,115.0	4,115.0	4,115.0	4,325.0	4,325.0	4,325.0
Gross Rock Volume (MMm^3)	3,265	4,188	9,515	2,522	3,363	4,204	43,119	57,492	71,865
Net to Gross	0.37	0.50	0.60	0.489	0.543	0.597	0.489	0.543	0.597
Porosity	0.057	0.066	0.088	0.066	0.0675	0.069	0.066	0.0675	0.069
Gas Saturation	0.40	0.48	0.67	0.40	0.48	0.67	0.40	0.48	0.67
Gas Expansion Factor	218	230	250	218	230	250	218	230	250
Recovery Factor	0.40	0.55	0.75	0.40	0.55	0.75	0.40	0.55	0.75
Non-hydrocarbon gas content	0.462	0.342	0.136	0.28		0.136	0.28		0.136

Figure 1. – Simplified Heron Structural Cross Section

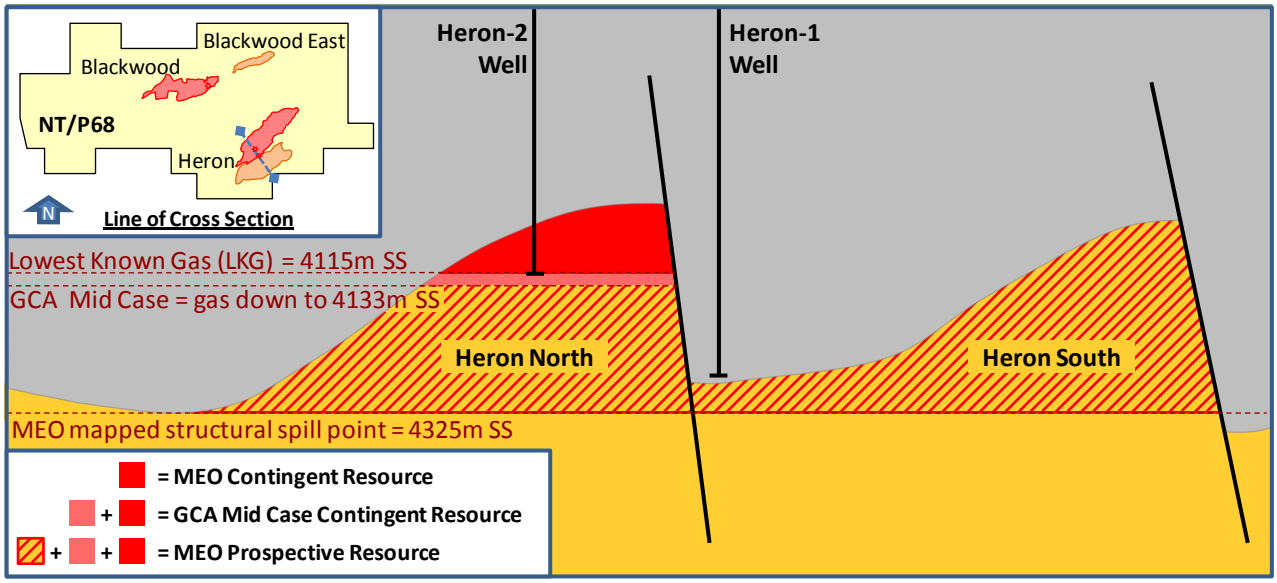


Figure 2. – Heron Structure map

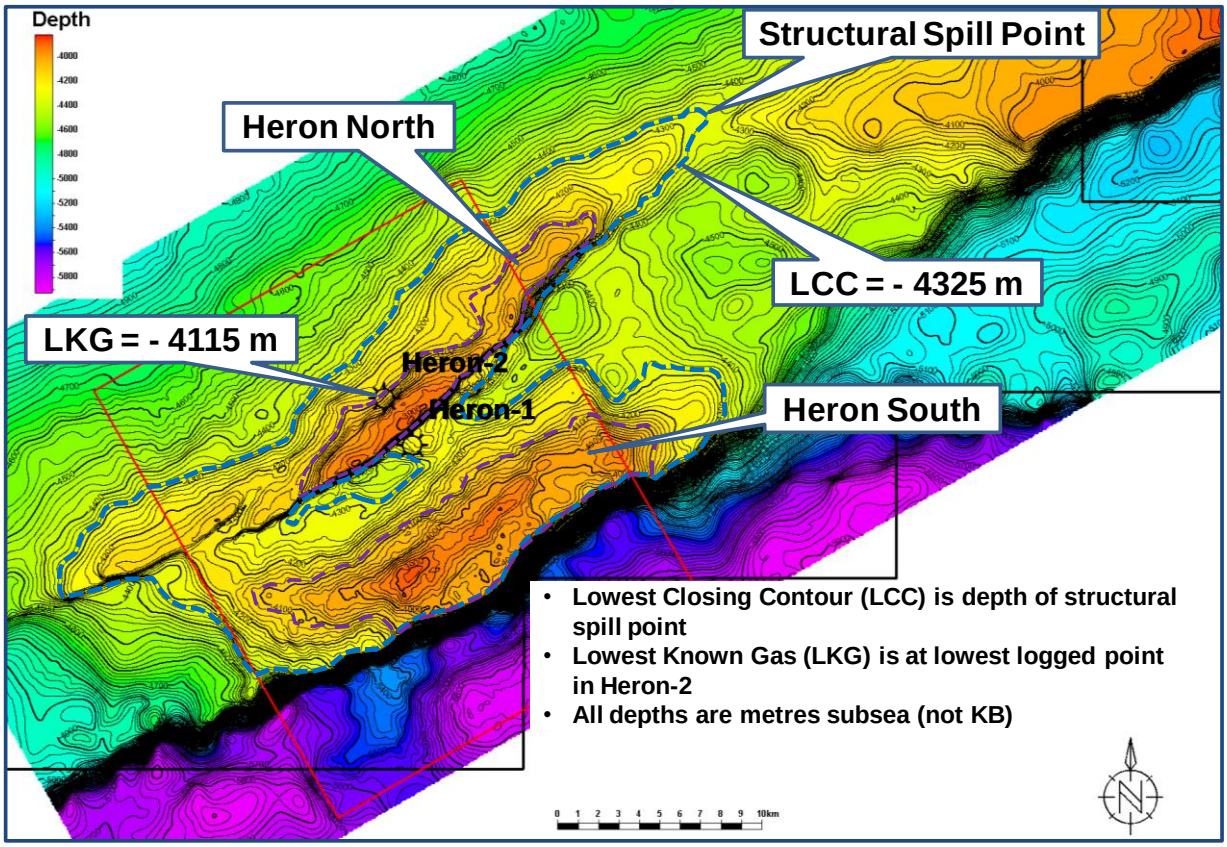
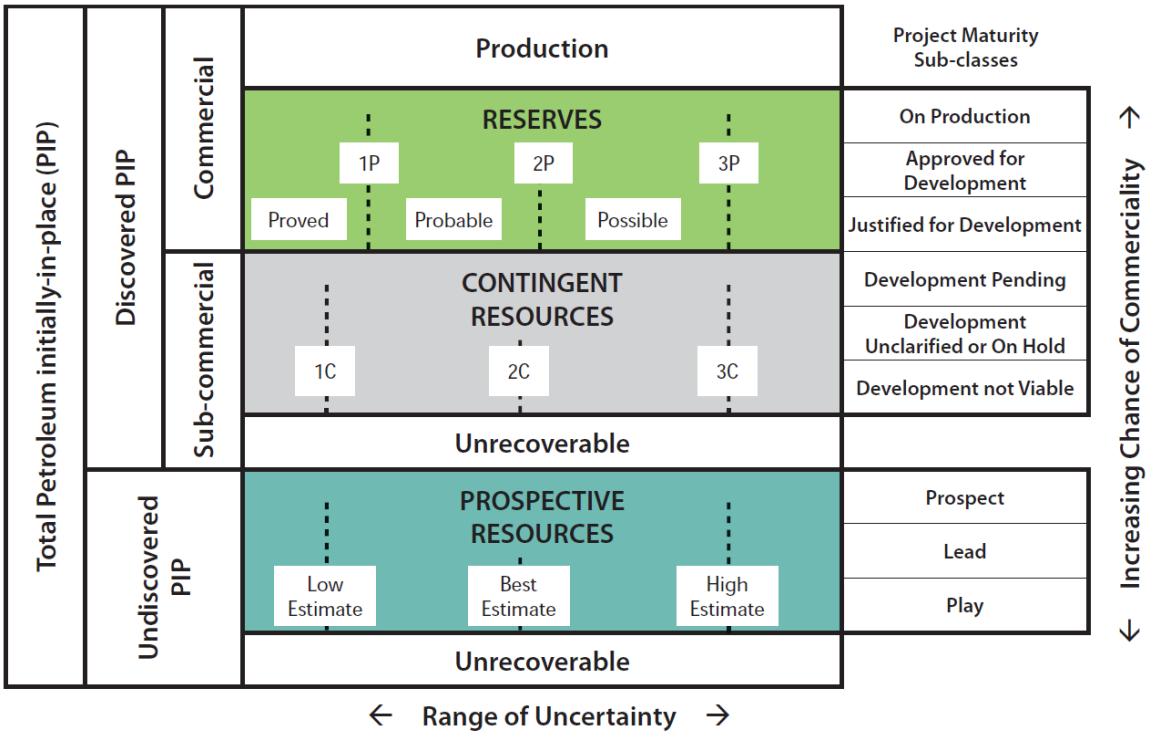


Figure 3. – Petroleum Resource Management System Resources Classification Framework



The above Figure 3 is based on the Petroleum Resources Management System Sponsored by:

- Society of Petroleum Engineers (SPE)
- American Association of Petroleum Geologists (AAPG)
- World Petroleum Council (WPC)
- Society of Petroleum Evaluation Engineers (SPEE)