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Quarterly activities summary for Quarter ended 30th June 2010

Key Points

- Executes WA-360-P farm-in agreement with Petrobras
- FIRB approves acquisition of 50% interest in WA-360-P by Petrobras
- Acquires additional 5% participating interest in WA-360-P for US\$7m
- Acquires additional 15% participating interest in WA-361-P for US\$1m¹
- Consolidated cash balance at 30th June A\$36.0m²

MELBOURNE, AUSTRALIA (15th July, 2010)

MEO Australia Limited (ASX: MEO) provides the following summary in relation to its activities for the quarter ended 30th June 2010.

WA-360-P (MEO 25%⁺ & Operator, Petrobras 50%⁺, Cue Energy 15%, Moby Oil & Gas 10%⁺)

On 14th April, MEO announced it had executed a binding farm-in agreement with Petrobras International Braspetro BV ("Petrobras"), conditional upon regulatory approvals including Foreign Investment Review Board (FIRB) approval.

Key terms of the farm-in include:

- Petrobras to earn 50% equity in WA-360-P by funding 100% of the first well to a cap of US\$41m (MEO retains 20% interest)
- Upon receipt of all regulatory and Australian Government approvals, including Foreign Investment Review Board approval, Petrobras will pay MEO a cash bonus of US\$31.5 million and reimburse MEO's share of the seismic related back costs of approximately US\$7.5 million
- In the event of a successful discovery, Petrobras will carry MEO's share of the cost to drill and test two follow up wells in the Permit to a cap of US\$62 million per well, together with payment of an additional US\$31.5m cash bonus in January 2011
- MEO to remain Operator until completion of the first well after which Petrobras has the option to assume Operatorship

On 28th June, MEO announced that the FIRB had advised it had no objections to Petrobras acquiring its interest in WA-360-P. MEO is currently awaiting receipt of the final regulatory approvals from the Designated Authority for the transfer of permit equity, which is the final condition precedent of the farm-in agreement. Upon receipt of regulatory approvals, the US\$31.5m cash bonus and approximately US\$7.5m of seismic related back costs become payable within 30 days.

On 10th June, MEO advised that it had executed a binding sales and purchase agreement with Rankin Trend Pty Ltd, to acquire an additional 5% interest in the permit for a cash consideration of US\$7m. A US\$1.5m cash deposit was paid, leaving a balance of US\$5.5m payable upon receipt of regulatory approvals. This additional interest is free-carried for the drilling of Artemis-1.

⁺ Participating interests shown are those after receipt of all regulatory approvals and closure of transactions

¹ Announced 13th July, subsequent to the end of the quarter

² Excludes US\$31.5m cash bonus and reimbursement of approximately US\$7.5m in seismic related back costs payable by Petrobras upon receipt of regulatory approvals in relation to WA-360-P farm-in.

During the quarter, MEO executed its option over a drilling rig which is expected to drill Artemis-1 in late 2010, and is finalising the necessary contracts in relation to this drilling rig. A site survey involving the acquisition of side-scan sonar over the Artemis-1 location commenced during the quarter and was completed subsequent to the end of the quarter.

WA-361-P (MEO 50%+, Operator, RDI 35%, Cue Energy 15%)

The Zeus-1 interpretive well completion report was finalised during the quarter and is in the process of being submitted to the Designated Authority. Subsequent to the end of the quarter, MEO announced on 13th July that it had executed a binding sales and purchase agreement with Gascorp Australia Pty Ltd to acquire an additional 15% interest in WA-361-P for US\$1m payable upon receipt of regulatory approvals. This acquisition will increase MEO's equity in the permit to 50%.

NT/P68 (MEO 100%)

MEO continued its technical work to quantify the resource size of its Blackwood and Heron gas discoveries. During the quarter, MEO commissioned Schlumberger to undertake the "NT/P68 Reservoir Characterisation Study" to examine regional well and seismic data to help evaluate reservoir properties in the Blackwood and Heron gas discoveries.

Key learnings from this study include:

- Production wells through this area exhibit dual porosity behaviour (fracture and matrix porosity). The high observed production rates are a result of fracture porosity. Analysis of the test results shows subsequent contribution to gas production from matrix porosity. Given that fracture porosity is evident at both Blackwood and Heron, production rates are expected to be reasonable.
- It is possible to quantify the matrix porosity of the Plover reservoir using acoustic impedance. Inversion of the Heron 3D seismic cube shows considerable variation within the field area, implying a corresponding variation in the matrix porosity of the Heron reservoir.

Gaffney Cline & Associates was commissioned during the quarter to undertake resource certification for both Blackwood and Heron using the Schlumberger report findings and MEO's technical work as a basis. MEO is currently producing a cube of the porosity distribution at Heron which will be used to calculate a resource estimate. This work is expected to be completed during the current quarter and will complete the work required to formally launch the farm-out of this permit.

Approved Gas Processing Projects (MEO 50-100%)

The Company continued its efforts to secure feed-gas for its approved gas processing projects.

New venture opportunities

A number of New Venture opportunities were evaluated during the quarter.

Cash balance at end of quarter

At 30th June 2010, the consolidated cash balance was A\$36.0m.

Priorities for the quarter ending 30th September 2010

- Execute drilling rig contract & continue preparations to drill Artemis-1 in late 2010
- Secure remaining regulatory approvals for WA-360-P permit transfers
- Complete NT/P68 resource estimates, obtain certification from Gaffney Cline & Associates
- Commence formal farm-out of NT/P68
- Continue screening New Venture opportunities



Jürgen Hendrich
Managing Director & Chief Executive Officer