



Carnarvon Basin Exploration Permits WA-360-P and WA-361-P

MEO has interests in two contiguous Exploration Permits – WA-360-P and WA-361-P – strategically located off the North West Shelf in the Carnarvon Basin, Australia’s premier LNG export province.

These permits were awarded to Cue Energy (Operator) and Gascorp Australia Pty Ltd on a 50/50 basis prior to the Wheatstone (2004) and Pluto (2005) gas discoveries immediately along trend. The Pluto gas field is under development to supply the stand-alone Pluto LNG project (4.3 Mtpa) located on the Burrup Peninsula adjacent to the existing 16.3 Mtpa, 5 train, North West Shelf Gas Project. Front End Engineering and Design (FEED) has commenced for development of the Wheatstone gas field where a 5-10 Mtpa stand-alone LNG liquefaction facility is planned to be located at Onslow.

The Company secured its entry to these permits by way of a farm-in agreement in October 2007 that involved meeting the outstanding Year 3 seismic commitment in each permit (to earn 60%) and the option to remain in the permits beyond the end of Permit Year 4 by committing to fund 100% of a well in each to earn 70%.

MEO had identified a large stratigraphic play – Zeus – in WA-361-P on the 1996 vintage Rosie 3D seismic survey. In July 2008, secured a farm-in from Resource Development International Limited (“RDI”), a wholly owned subsidiary of Mineralogy Pty Ltd, an entity associated with Clive Palmer and consequently triggered the well option for that permit to earn a 70% interest. RDI agreed to meet 80% of the costs associated with the drilling of Zeus-1 to earn a 35% interest in the permit. Zeus-1 was drilled in early 2009 and unfortunately was unsuccessful. It did however, encounter excellent quality Jurassic aged reservoir sands that are the target sands in the Artemis prospect within the adjoining WA-360-P permit.

As part of its farm-in obligations in relation to WA-360-P, the Company acquired the 250 km² MEO 3D seismic survey in 1H’2008. When the processed seismic survey arrived in house in late 2008, the Company identified anomalous bright seismic amplitudes that appeared to terminate at a common depth. This prospect was called Artemis which MEO considered may be a valid structure hidden by the complex seismic velocity variations that occur across the permit beneath the continental shelf slope break.

These same complexities exist at the nearby Pluto and Wheatstone gas fields along trend with WA-360-P and resulted in those fields remaining hidden until their discovery in 2005 and 2004 respectively. MEO negotiated a 12 month extension to its drill/drop option to 31st December 2009 and a 12 month extension to Permit Year 4 to 31st January 2010 to allow the Company to acquire additional 3D seismic to better define the northern extent of the Artemis prospect.

The 250 km² Artemis 3D seismic survey was acquired in March 2009 and the processed dataset was delivered on time in early July. The company had embarked on a farm-out process in late April 2009 without having this 3D seismic data in hand, due to the time constraints imposed by expiry of the well option on 31-December 2009. It was hoped that the new data would confirm the Artemis prospect and that prospective farminees would essentially have completed their technical assessment before this data was available.



When the new 3D data arrived, rather than being constrained by the data, the Artemis prospect grew tremendously in size. MEO assessed that the Artemis prospect contained mean prospective gas resources of approximately 12 Tcf, more than sufficient to underpin a stand-alone LNG project. The new velocity data caused a re-think of the structural picture which finally became clear and provided a basis for understanding the structural genesis for the prospect. This added complexity caused MEO to extend the period in which the technical data room was open to mid August and invite farm-in offers by the end of August.

A preferred farminee was subsequently selected and MEO raised \$26.9m in late November 2009 to underpin the drill/drop option in the event the farm-in transaction could not be closed by year end. In late December, the preferred farminee advised MEO it had received Board of Director approval to execute the transaction which involves a new country entry for this party. Consequently, MEO exercised its option to commit to funding 100% of Artemis-1 and commenced discussions with drilling rig Operators aimed at securing a rig to drill the well in 2H'2010. The company expects to retain at least 20% interest in the permit post farm-out.

Participants

Company	WA-360-P Equity	WA-361-P Equity
North West Shelf Exploration Pty Ltd Operator <i>(Wholly owned subsidiary of MEO Australia Limited)</i>	70%*	35%
Resource Development International Limited (<i>Unlisted</i>) <i>(Wholly owned subsidiary of Mineralogy Pty Ltd)</i>	0%	35%
Cue Energy Resources Limited (<i>ASX: CUE</i>)	15%	15%
Moby Oil & Gas Pty Ltd (<i>ASX: MOG</i>)	15%	0%
Gascorp Australia Pty Ltd (<i>Unlisted</i>)	0%	15%

Location map of WA permits illustrating mapped prospects & leads

