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Quarterly activities report for the quarter ended

30 June 2008

- **Board and management changes – retirement of Managing Director**
- **Secured extensive funding arrangements with Resource Development International (RDI)**
- **Farmed out 35% interest in WA permits in up-to 9 well drilling program**
- **Contracted Songa-Venus to drill Zeus-1 in late October**
- **Acquired 300 km² 3D seismic over Blackwood gas discovery in NT/P68**
- **Commenced post-drill review of Heron-2 and Blackwood-1 well results**

Background

The Company has developed strategic acreage holdings in the only two offshore Australian hydrocarbon provinces that currently have operating LNG and gas-to-liquids (GTL) projects:

1. NT/P68 off the coast of the Northern Territory in the Bonaparte Basin. This area hosts the Bayu-Undan gas field which supplies the Darwin LNG project. MEO secured environmental approvals for its proposed Timor Sea LNG and Tassie Shoal Methanol projects to be hosted on Tassie Shoal some 275 km north west of Darwin.
2. WA-359-P, WA-360-P and WA-361-P in the Carnarvon Basin which hosts the North West Shelf Gas Project and the Pluto LNG project currently under development. MEO has identified the large Zeus stratigraphic play in its WA-361-P permit and will test this potential multi-Tcf target in late October 2008. The proximity to established and proposed LNG project infrastructure together with potential for floating LNG (FLNG) provides multiple commercialisation options for any discovered gas resources.

The Company remains on track to confirm and/or secure sufficient gas supplies to underpin its approved GTL projects in the Bonaparte Basin. MEO's recent gas discoveries at Heron and Blackwood significantly enhance the Company's gas supply options for these projects. Record commodity prices for LNG and methanol further enhance already robust economics for these projects.

Board and executive management changes

MEO has substantially strengthened its board of directors. Mr Nick Heath was appointed as a non-executive director on May 12, subsequent to the end of the quarter, Mr Greg Short was appointed a non-executive director (July 14) and Mr Chris Hart retired as Managing Director effective July 25 and will stay on the board as a non-executive director until 30 September. Mr Hendrich who was appointed as Chief Executive Officer (June 16) assumed the role of Managing Director effective July 25. Mr James Willis resigned from the board on July 14.

Farm-out deal with Resource Development International (RDI)

The major event during the quarter involved securing the financial future of the company via a deal with Resource Development International (RDI) announced on July 4. RDI is seeking to raise at least \$5 billion cash and list on the Hong Kong and Australian Stock Exchanges later this year in support of developing its iron ore, nickel and energy interests.

RDI agreed to provide financial backing to advance the Company's Timor Sea projects by funding a staged work program of initially up to 4 wells to earn a 50% interest in NT/P68 and thereafter earning up to 70% by funding all of MEO's share of equity capital required to bring each of the Company's approved GTL projects into production. The deal effectively sees the company retaining a 20% free-carried interest through to commercial production of its GTL projects in the Bonaparte Basin.

MEO also executed a deal with RDI in relation to its three WA exploration permits. RDI will pay for the majority of MEO's share of costs in up to 9 wells across the three WA permits commencing with Zeus-1 in WA-361-P. A rig contract has been executed for the Songa Venus which is expected to commence drilling Zeus-1 in late October. MEO will retain at least a 25% interest in WA-361-P and the other Carnarvon Basin permits.

Further, Mineralogy Pty Ltd subscribed for a placement of 21.391 million new shares in MEO at a placement price of \$0.55 per share, raising \$11.765m before costs. In addition, Mineralogy Pty Ltd was granted 14.498 million options to subscribe for new MEO shares at \$0.65 by 30 September 2009.

Geotechnical studies

The Company conducted technical reviews with a large number of companies that expressed an interest in farming in to WA-361-P, where MEO had identified the Zeus stratigraphic play which has the potential to host >10 Tcf gas in place. Industry interest was unprecedented.

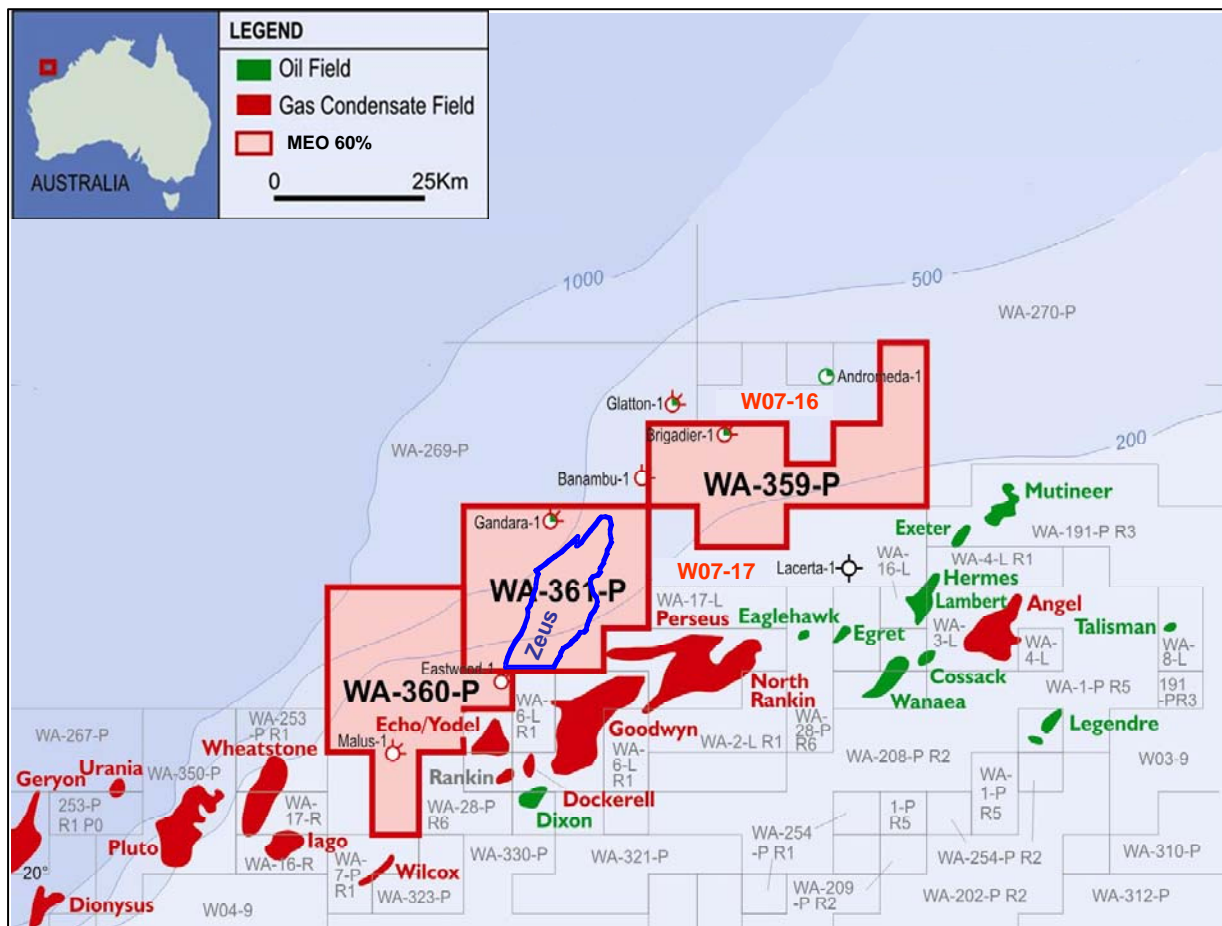
MEO commenced geotechnical studies based on the data obtained during the drilling of the Heron-2 and Blackwood-1 wells in NT/P68 that were declared gas discoveries. 300 km² of new 3D seismic was acquired over the Blackwood discovery and is currently being processed with delivery expected during August.

North West Shelf Permits WA-359-P, WA-360-P & WA-361-P (MEO 60%)

On October 25, 2007, the Company, via its wholly owned subsidiary North West Shelf Exploration Pty Ltd, farmed into three Northwest Shelf offshore permits (WA-359-P, WA-360-P & WA-361-P). MEO has earned a 60% participating interest in these highly prospective permits until 1 January 2009 by meeting the year three seismic acquisition obligations at an approximate cost of US\$7m.

Seismic program undertaken by MEO to earn a 60% participating interest

WA-360-P	WA-361-P	WA-359-P
Acquired ~200 km ² of new 3D data December 2007. Processing underway.	Acquired ~58 km ² of new 3D data December 2007. Reprocessed Rosie 3D survey (acquired by WMC in 1997)	Acquired ~250 line km of new 2D data March 2008.



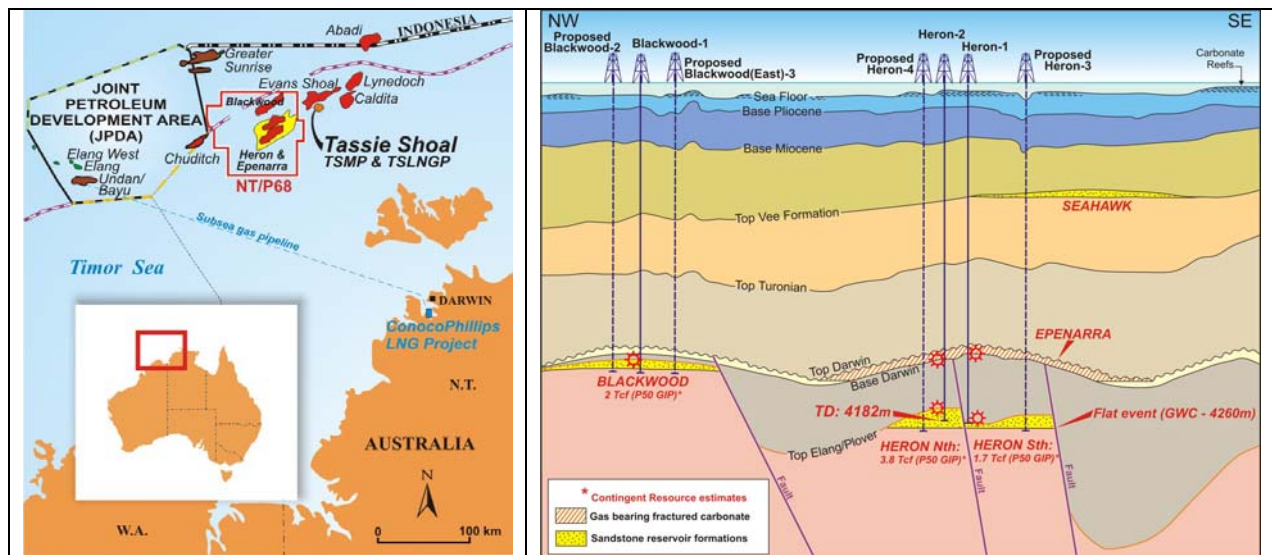
To retain its 60% interest in each permit beyond 1 January 2009, MEO has an option to elect to fund 100% of the cost of a single well, to earn a 70% interest. The pre-existing permit holders can elect to fund 10% of the cost of a single well in any permit, the MEO interest in that permit remains at 60%. In the event that MEO does not elect to fund 100% of a well in a permit, the earned 60% interest reverts to the original permit holders.

MEO has notified the pre-existing permit holders (Cue Energy Limited and Gascorp Limited) of its election to fund 100% of the Zeus-1 well in permit WA-361-P to earn a 70% interest. Zeus has prospective in place mapped potential of at least 10 Tcf gas over 350 km² of closure with up to 200m of net pay and is analogous to the nearby Perseus gas field (~12 Tcf).

The Company reprocessed the 1997 Rosie 3D seismic survey, recovered the offset gathers and performed AVO (Amplitude Variation with Offset) analysis. Results confirmed the presence of AVO responses co-incident with bright seismic amplitudes. Together, these seismic attributes are considered by MEO to constitute strong evidence for the potential presence of gas charged sands at Zeus.

Bonaparte Basin Permit NT/P68 (MEO 90%-100%)

NT/P68 is a 12,070 km² petroleum exploration permit located in the Australian waters of the Timor Sea immediately to the west of Tassie Shoal (25 km) and approximately 200 km northwest of Darwin. The Company believes that the permit offers considerable scope for the confirmation of commercial gas accumulations that may support the future gas demands of the proposed Tassie Shoal LNG and methanol projects.



The Heron-1 well drilled by ARCO in 1972 intersected a 52m gas bearing column in the Darwin Formation (a fractured carbonate reservoir) within the ~1,200 km² mapped closure of the Epenarra structure. Heron-1 also intersected a gas charged zone in the deeper underlying Elang/Plover horizon at the base of the well.

Heron-2 Gas Discovery (MEO 90%)

A new jack-up rig operated by Seadrill spudded the Heron-2 well on October 12, 2007 and was drilled to a total depth of 4,182mMD. The Heron-2 well was designed as a vertical well to penetrate and production test the Epenarra Darwin Formation and the deeper Elang/Plover Formation of the Heron North structure.

Significant mud losses were encountered while drilling the deeper Elang/Plover Formations, necessitating the pumping of lost circulation material (LCM) in an attempt to plug the fractures to prevent further losses. Ultimately, drilling could not continue and a bare-foot (open hole) production test was attempted. While the well flowed up to 8 mmcf/d gas, the production test was interrupted due to a cyclone warning and the well was shut in. Upon resumption of testing activities, a shale unit above the main Plover Formation sands collapsed, effectively precluding the better reservoirs from contributing to the test. An attempt was made to sidetrack the well without success prior to abandoning further testing attempts.

While the evidence from electric logs of gas saturation in the Epenarra Darwin formation and the presence of some significant fractures in the perforated section appeared to be positive, the well only produced minor quantities of hydrocarbons to surface and failed to produce a consistent flow. Heron-2 was plugged and abandoned on January 29, 2008.

The joint venture continues to review the Heron-2 well results, 3D seismic and inversion data to determine the reasons for the apparent lack of permeability through the Darwin formation at this specific well location. These factors may include:

- Formation damage to the fractured reservoir from use of over-balanced drilling fluids,
- Formation damage due to acid washing
- Formation damage through cementing the 9⁵/₈ inch casing or
- Sub-optimal location of the well to the best fracture development.

The joint venture partners continue to assess the well results and the Epenarra and Heron North (and South) structures. In particular, the recognition of a significant Late Jurassic section (Montara formation sands) in Heron-2 may have upgraded the potential for wet gas.

MEO declared a gas discovery over Heron North during the quarter.

Blackwood Gas Discovery (MEO 100%)

Blackwood-1 was spudded on February 1, 2008 as a sole-risk well (paying 100% of the well costs) to test the Blackwood Prospect targeting Middle Plover sandstone reservoirs on a northeast – southwest trending tilted fault block at the hinge line between the Sahul Platform and the Malita Graben.

Blackwood-1 was drilled to 3,263mMD having penetrated gas charged Plover Formation sands. Full log suites were acquired. MDT testing confirmed the presence of a ~49m hydrocarbon column from 3,176mMD to an interpreted GWC at 3,225mMD.

Blackwood-1 was plugged and abandoned as planned, on March 10, 2008.

The recovery of gas samples, coupled with the evidence from the full log suites enabled MEO to declare a gas discovery at the Blackwood-1 location during the quarter.

MEO has a 100% interest in the Blackwood discovery.

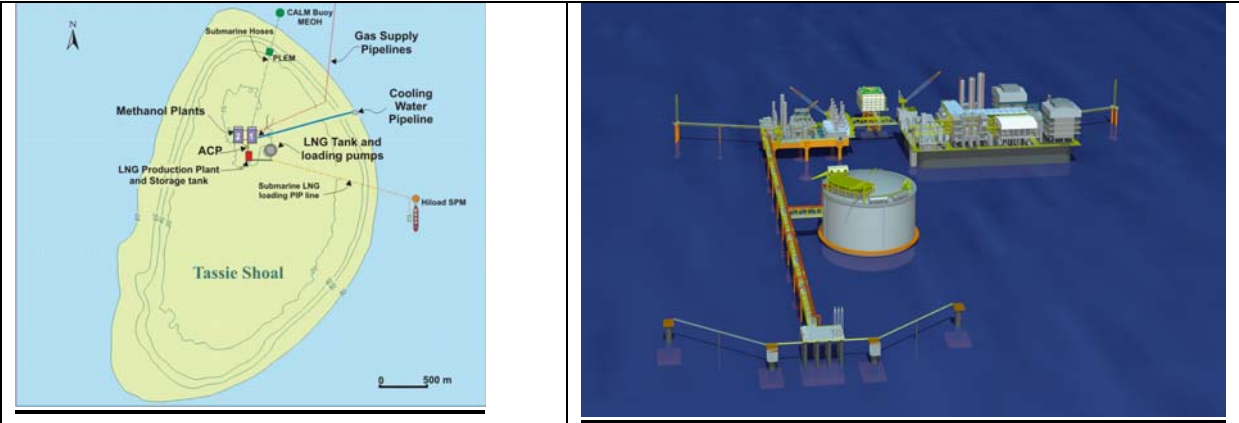
Tassie Shoal Methanol Project (MEO 50%)

The Company and Air Products and Chemicals, Inc. (APCI) continue to develop the Tassie Shoal Methanol Project (TSMP) under the terms of the joint development agreement (JDA). Petrofac has the right to earn a 10% participating interest from APCI in the TSMP.

The TSMP involves the construction of two large natural gas reforming and methanol production plants on concrete gravity structures in southeast Asia, towed to and grounded in the shallow waters of Tassie Shoal for operation.

MEO continued to progress the casting basin site selection process throughout Southeast Asia to identify and secure sites for the potential construction of the sub-structural elements of either the TSMP or TSLNGP.

The Company expects to progress various aspects of the TSMP on the back of the recent Blackwood gas discovery, which is likely to be suitable for methanol production.



Timor Sea LNG Project (MEO 90%)

The proposed Timor Sea LNG Project (TSLNGP) has been designed to be located in the shallow waters of Tassie Shoal. The TSLNGP received its Commonwealth environmental approval to construct, install and operate adjacent to the TSMP on May 5, 2004. The LNG and methanol projects will be able to share infrastructure, logistic support systems and benefit from significant production process advantages.

As part of the NT/P68 farm-in agreement, Petrofac has the right to earn a 10% participating interest in the TSLNGP, reducing the MEO interest to 90%.

MEO continues to work with the project's engineering consultants to optimize design of the facilities and review capital and operating cost assumptions.

Floating LNG (FLNG) concepts

MEO continues to evaluate floating LNG (FLNG) design concepts which continue to gain market acceptance as construction costs for onshore plants are becoming prohibitive.



The floating LNG production concept is likely the fastest way to develop early production and cash flow for any new discovery. MEO plans to advance these options as a possible commercialization path for gas discoveries in the Northwest Shelf permits.

Events for the coming quarter

- Supplement and build technical team
- Preparation for drilling of Zeus-1 in late October
- Commence negotiations to secure jack-up drilling rig for 2-well program in 2Q'09
- Ongoing geotechnical work in NT/P68
- Evaluation of WA-360-P & WA-359-P to identify potential prospects
- Evaluation of New Venture opportunities

Jürgen Hendrich

Managing Director &
Chief Executive Officer
July 25 2008