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Quarterly Activities Report for quarter ended 30 September 2008

- **Strategic Alliance with Resource Development International (RDI)**
- **Increased participating interest in WA-361-P and Zeus-1 from 25% to 35%**
- **Zeus-1 expected to spud mid-November targeting multi-Tcf gas potential**
- **Further board and management changes completes planned restructuring**

Background

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

1. The Bonaparte Basin hosts the Bayu-Undan gas field (3.4 Tcf, 3% CO₂, 229 million bbls condensate, plus substantial LPG) which supplies the Darwin LNG project.
 - a. MEO has title (90-100%) to the 12,072 km² exploration permit – NT/P68. The company declared two gas discoveries at Blackwood and Heron following the two well exploration drilling campaign that concluded in March 2008.
 - b. Commonwealth environmental approvals have been secured until 2052 for MEO's proposed Tassie Shoal Methanol Project (TSMP) and Timor Sea LNG Project (TSLNGP) to be hosted on Tassie Shoal, an area of shallow water some 275 km north west of Darwin. Tassie Shoal is ideally located with respect to all the undeveloped gas fields in the region and offers carbon sequestration solutions in the form of conversion of CO₂ to methanol.
2. The Carnarvon Basin hosts Australia's first LNG project the North West Shelf Gas Project (~33 Tcf, 3% CO₂, >600 million bbls condensate) together with the Pluto LNG project (~5.0 Tcf, 3% CO₂, minor condensate) currently under development. Several additional projects in this area are under consideration.
 - a. MEO has secured an interest in three permits – WA-359-P, WA-360-P and WA-361-P – immediately adjacent to the producing gas fields.
 - b. The company is testing the large Zeus stratigraphic play in its WA-361-P permit (35% interest) with the Zeus-1 exploration well in November 2008. The proximity to established and proposed LNG infrastructure together with potential to apply floating LNG (FLNG) technology provides multiple commercialisation options for any discovered gas resources.

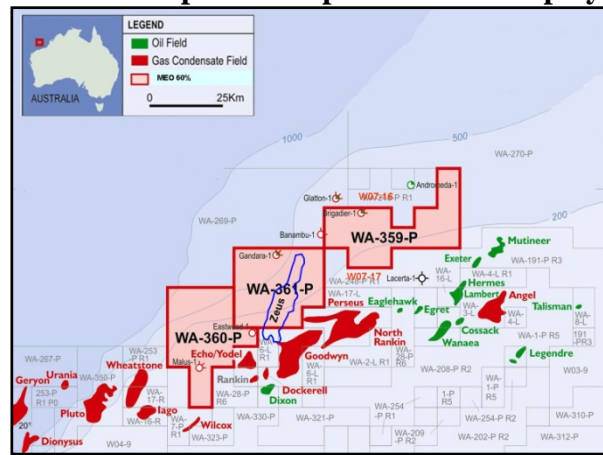
MEO's gas discoveries at Blackwood and Heron significantly enhance the Company's gas supply options for these projects and in turn, the prospects for these projects to reach commercial fruition. Both GTL projects have operating costs projected to be in the lowest cost quartile and therefore maintain their relative competitive advantage. Commodity prices for LNG and methanol remain healthy and yield robust project economics.

Strategic Alliance with Resource Development International (RDI)

On July 4th, MEO announced a strategic alliance with Resource Development International (RDI), an entity associated with Prof. Clive Palmer, one of Australia’s wealthiest men who has extensive and long standing business connections in China. Prof Palmer’s private company Mineralogy subscribed for 21.391m shares in MEO at \$0.55, contributing \$11.765m in working capital before costs. RDI is seeking a Hong Kong Stock Exchange listing later this year in support of developing its iron ore, nickel and energy interests. Notwithstanding the unprecedented turmoil in financial markets, RDI has advised MEO that it continues to press ahead with its listing plans and has had a number of encouraging discussions with potential cornerstone investors.

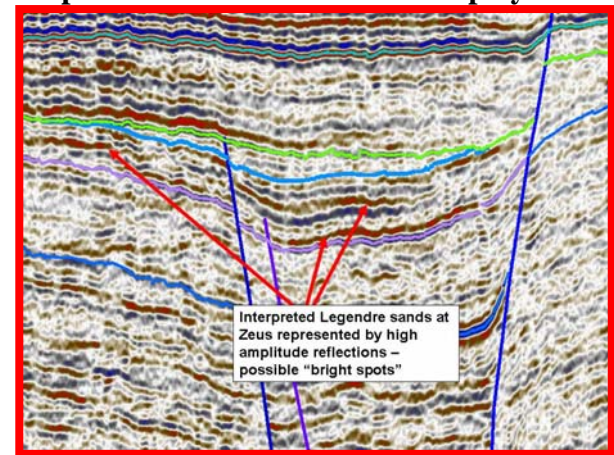
RDI has committed to funding 80% of the Zeus-1 well in WA-361-P to a cap of US\$31.25m to earn a 35% interest in that permit. Zeus-1 is expected to commence drilling in November and is targeting a multi-Tcf stratigraphic play with similar seismic characteristics to the Perseus gas field (~12 Tcf) in the adjacent fault block. In the event that Zeus-1 discovers hydrocarbons, RDI will pay for MEO’s share of the first two appraisal wells.

Location map of NWS permits & Zeus play



Note proximity to NWS Gas Project fields (Goodwyn, Perseus, North Rankin, Echo-Yodel), Pluto development and Wheatstone (proposed),

Amplitude anomalies* over Zeus play



*Anomalies also exhibit Class-3 AVO responses

MEO has granted RDI a similar option over the adjoining NWS permits – WA-359-P and WA-360-P – whereby RDI can earn a 35% interest by funding 80% of the first well on each permit and in the event of a discovery, MEO’s share of the next two appraisal wells. This option is conditional upon RDI’s successful IPO. Subject to these options being exercised, up to 9 wells could be drilled on the three WA permits with MEO contributing 20% to the costs of the first well on each permit and being free carried for up to 6 appraisal wells.

In relation to MEO’s Timor Sea interests, RDI has an option (conditional upon a successful IPO) to fund a staged work program of initially up to 4 wells (2 x 2 wells) to earn a 50% interest in NT/P68 and thereafter earning up to 70% by funding MEO’s share of equity capital required to bring each of the Company’s approved GTL projects into production. Under these arrangements, MEO will ultimately be left with a 20% free-carried interest to commercial production in each of its proposed GTL projects.

Floating LNG (FLNG) concepts

The floating LNG concept is gaining acceptance particularly for gas discoveries that are uneconomic to develop because of their remote locations. The concept also offers the potential for fastest early production and cash flow. Due to its portability, the facility easily be re-used.

MEO continues to evaluate floating LNG (FLNG) design concepts, particularly for its NWS permits, notwithstanding the proximity of those permits to established, developing and planned LNG infrastructure.

FLNG concept design by SBM-Linde



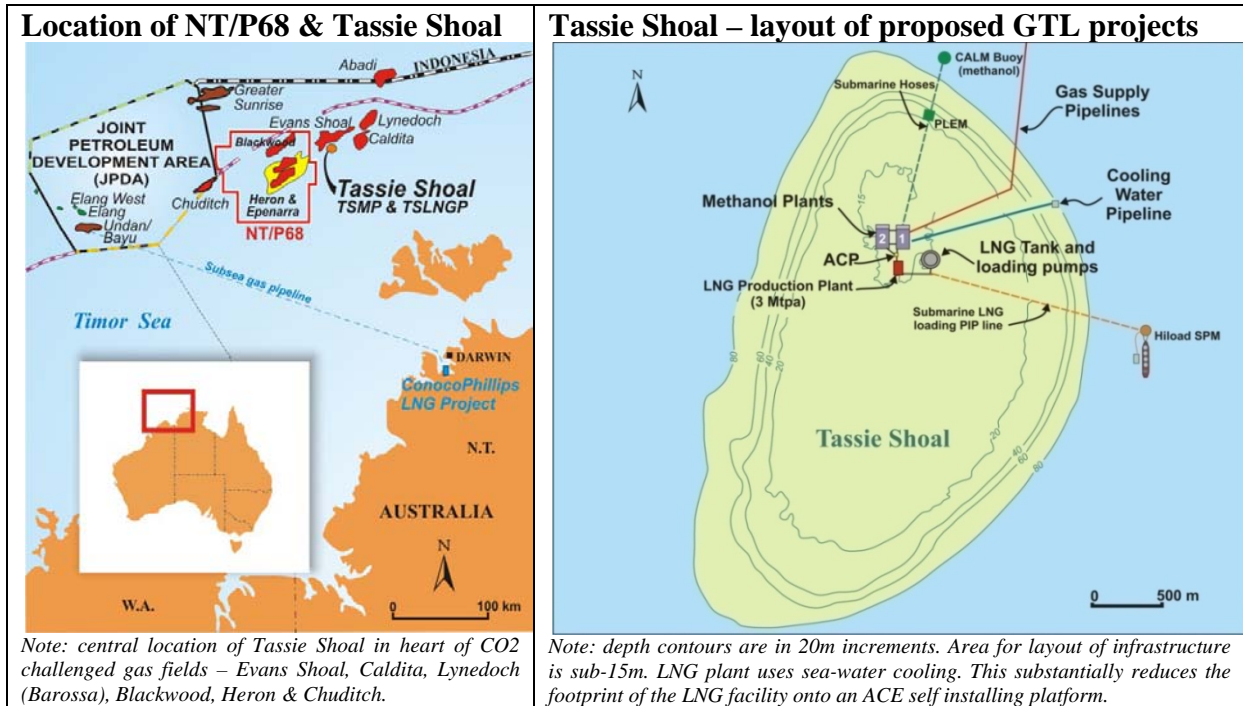
Carnarvon Basin: WA-359-P (60%), WA-360-P (60%) and WA-361-P (35%)

Following the commitment by MEO to fund Zeus-1 in WA-361-P, original permit holders Cue and Gascorp each had 70 days in which to elect whether to pay for 5% of the well to remain at a 20% interest. This option lapsed in early September and their combined 10% interest was re-assigned to MEO thereby increasing the company's interest to 35%. Cue and Gascorp's interests commensurately reduced to 15% each.

The Company continued its technical work in the three North West Shelf permits in support of drilling Zeus-1 and also to advance the various leads in the adjoining permits to drillable prospect status ahead of the drill/drop election on WA-359-P and WA-360-P on 1 January 2009. MEO is encouraged by the prospectivity it has identified in these permits and is confident of identifying attractive drill targets by the election date.

Bonaparte Basin: NT/P68 (MEO 90%-100%), Tassie Shoal GTL Projects

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 methanol and LNG projects.



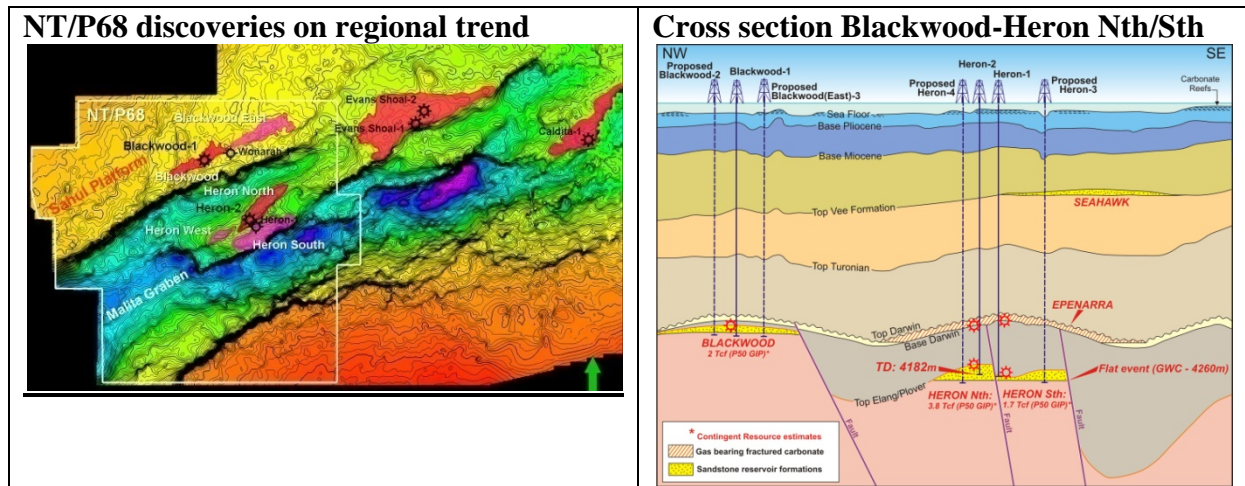
The Heron-1 well drilled by ARCO in 1972 intersected a 52m gas bearing column in the Darwin Formation (a fractured carbonate reservoir) within the ~1,200 km² mapped closure of the Epenarra structure. Heron-1 also intersected a gas charged zone in the deeper underlying Elang/Plover horizon at the base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

Heron gas discovery

In late 2007, MEO commenced drilling the Heron-2 well targeting the Epenarra structure (Darwin Formation) and the deeper Heron North structure (Plover Formation). Production testing operations in the Heron North structure were compromised by a number of factors including, borehole collapse, interruptions due to cyclone Helen and drilling practices including significant mud losses and pumping of Lost Circulation Material (LCM).

Notwithstanding these challenges, the well flowed 6 mmcf/d of dry gas, high in CO₂ (consistent with observations recorded while drilling) and was interpreted to have come from an isolated sand at the top of the Elang/Plover sequence. The interval below this unit demonstrated completely different gas quality while drilling, providing encouragement for future appraisal drilling. Heron-2 was declared a gas discovery.

The shallower Darwin Formation failed to flow gas at commercial rates on testing. Future tests of this interval will likely require a dedicated test with a horizontal well. Substantial technical work will be required to ascertain the likely sweet-spots for this interval.



Blackwood gas discovery

In early 2008, MEO sole risked (ie drilled at 100% interest) the Blackwood-1 well targeting a conventional Plover Sandstone structural closure with potential to host between 1.4 and 2.5 Tcf raw gas in place. The well intersected a 49m gas column and recovered several samples of gas to surface via an MDT sampling tool. This recovery combined with wireline logging data and MDT pressures supporting a 49m gas column resulted in the declaration of a discovery.

In April, MEO commenced the acquisition of a ~300 km² 3D seismic survey over this discovery to assist with depth conversion and selection of follow-up appraisal wells. Gas quality (dry, 25-30% CO₂) is suitable for conversion into methanol. MEO is optimistic that Blackwood be able to substantially underpin the resource required for the first methanol plant.

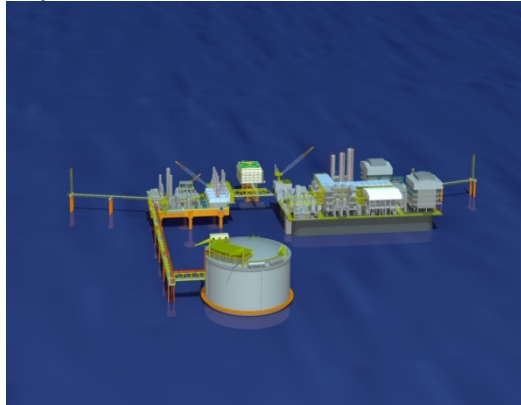
MEO continued geotechnical studies based on the data obtained during the drilling of the Heron-2 and Blackwood-1 wells in NT/P68 that were declared gas discoveries. Processing of the ~300 km² 3D seismic over the Blackwood discovery continues, however delivery of the processed volume is now expected in November.

Tassie Shoal Methanol Project (MEO 50%)

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

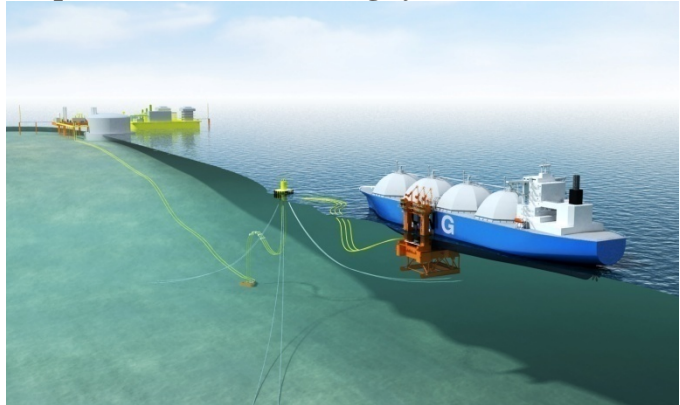
The Company and Air Products and Chemicals, Inc. (APCI) continue to develop the TSMP under the terms of the joint development agreement (JDA). As part of its farm-in agreement, Petrofac has the right to earn a 10% participating interest from APCI in the TSMP. During the quarter, MEO and APCI commenced discussions in relation to restructuring APCI's participation in the TSMP.

Layout of TSMP & TSLNGP



Note: Only one methanol plant is illustrated (RHS). The absence of jetty due to the Hi-Load LNG load-out system.

Torp Hi-Load LNG loading system



Note: Remotely operated loading system replaces a jetty and the need for tug boats (3). No modification is required to standard LNG tankers.

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.

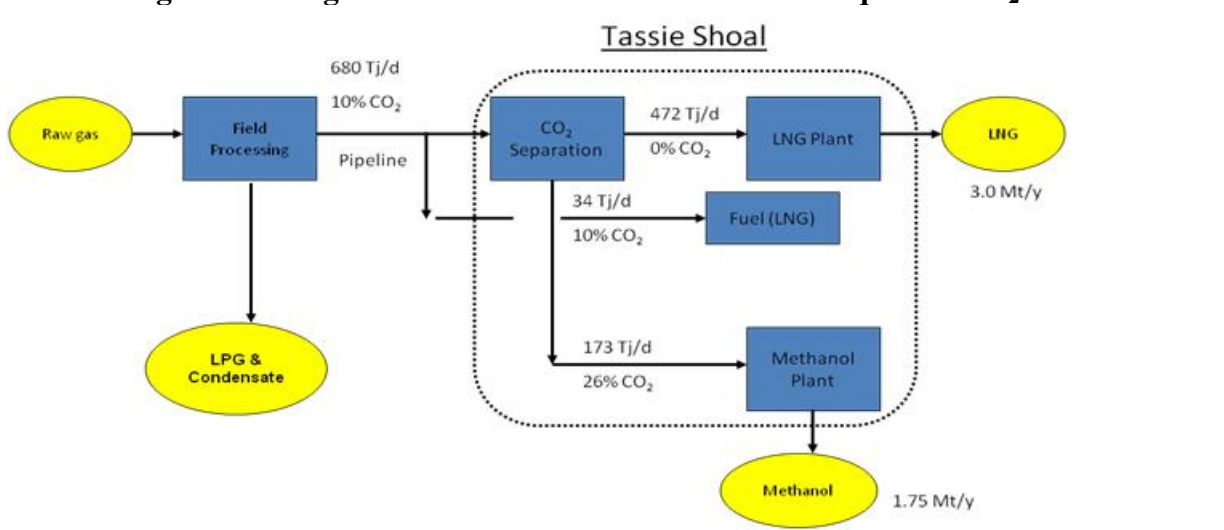
As part of the NT/P68 farm-in agreement, Petrofac has the right to earn a 10% participating interest in the TSLNGP, reducing the MEO interest to 90%.

MEO continued to work with its engineering consultants to optimize design of the facilities and review capital and operating cost assumptions. These reviews are expected to be concluded during the current quarter.

Discussions with 3rd party gas suppliers

During the quarter, MEO initiated discussions with a number of potential 3rd party gas suppliers. While these discussions are at an early stage, MEO is optimistic that its integrated GTL projects offer an attractive economic solution to undeveloped CO₂ challenged gas resources in the Bonaparte Basin.

Process diagram of integrated Tassie Shoal GTL solution to sequester CO₂



Requires ~4.7 Tcf raw gas @ 10% CO₂ to operate for 20 yrs.

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While, the optimal raw gas composition required to manufacture Methanol using the Steam Methane Reforming (SMR) process is **26% CO₂**, both approved GTL projects can be fuelled using approximately 4.7 Tcf raw gas with **10% CO₂** content over 20 years to achieve an output of **1.75 Mtpa Methanol** and **3 Mtpa LNG**.

MEO's proposed LNG plant is a compact design using indirect sea-water cooling resulting in a dramatically reduced footprint (with commensurately lower construction costs) compared with a conventional air-cooled, land based LNG plant. Liquefaction costs per tonne of annual capacity are considered very competitive relative to a land based, air-cooled plant and relative to the Floating LNG options currently under consideration for the Greater Sunrise and Abadi fields in the Timor Sea. Capital cost reviews for the TSLNGP will be completed this quarter.

Australia's established LNG projects (NWS Gas Project & Darwin LNG) utilize feedstock gas with very low (<3%) CO₂ content. The gas feedstock for these projects is also rich in natural gas liquids, substantially enhancing project economics. Unfortunately, this gas quality is not typical of most gas resources. Most proposed LNG projects are proposing to use gas with **at least 8-9% CO₂** (increasing the costs associated with treating and disposing of CO₂) and modest natural gas liquids (reducing the potential revenue stream relative to better quality feedstock). These factors (increased costs & lower revenues) compound to diminish project economics. Distant locations, deep water and/or disputed territories further compromise marginal economics to the point where most projects have stalled.

This is the context for the relative attractiveness of the Tassie Shoal concept that effectively deals with the gas quality issues (via CO₂ sequestration into methanol derivative products – turning CO₂ from a cost into a revenue stream) and the remoteness factor by virtue of the Shoal being located within 150km of every undeveloped gas field in the Bonaparte Basin. The remoteness of the Shoal allows complete pre-fabrication and pre-commissioning of the facilities in low-cost South East Asian construction facilities.

Further board and executive management changes

Additional board changes were announced during and subsequent to the end of the quarter:-

- Chairman **Mr Warwick Bisley** announced his intention to retire from the board following the AGM in November. **Mr Nick Heath** has accepted an invitation from the board to become Chairman-elect.
- **Mr Jürgen Hendrich** was appointed Managing Director in July.
- **Mr Andy Rigg** announced his retirement effective the end of October following 11 years of service.
- **Mr Chris Hart** retired from the board at the end of September as planned. The Company plans to have an ongoing relationship with Mr Hart in an advisory capacity.
- **Mr Stephen Hopley** and **Mr Michael Sweeney** were appointed as non-executive directors effective 1 October. These appointments complete the planned restructuring of the board.

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MEO continues to build its technical and commercial capabilities. To that end, the following appointments were made during the quarter.

Mr David Maughan joined MEO as Exploration Manager during the quarter. Dave retired from Exxon-Mobil after a 33 year career of which a majority was spent in an expatriate capacity in various geographic locations. He brings a wealth of knowledge and experience that will guide MEO through its current projects as well as advising MEO on building its portfolio of interests.

Mr Robert Gard has accepted a position with MEO as Commercial Manager effective 10th November. Rob is an Honours graduate in Mechanical and Electrical Engineering, with over 22 years experience at ExxonMobil. He has over 9 years of commercial negotiation experience on PNG, Cooper Basin, Gippsland and WA gas sales agreements. His career has included corporate affairs, strategic planning, business analysis, sub-surface engineering and various other engineering and project management roles. Rob will be responsible for managing Joint Venture relationships, commercial agreements, negotiations and head analysis of existing and new business ventures.

Priorities for the quarter ended 31-December-2008

- Preparation for and drilling of Zeus-1 in November
- Support RDI's planned IPO
- Define WA-360-P & WA-359-P prospectivity ahead of drill/drop election 1-Jan-09
- Commence interpretation of Blackwood 3D seismic survey
- Evaluate rig-availability for NT/P68 2009 drilling campaign
- Continue discussions with potential 3rd party gas suppliers
- Further enhance technical (seeking Geophysicist) and commercial capabilities
- Evaluate New Venture opportunities

Jürgen Hendrich

Managing Director & Chief Executive Officer

16 October 2008