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Quarterly activities report for Quarter ending 31st December 2009

Key Points

- Selects preferred Farminee for WA-360-P
- Raises \$26.9m to underpin exercise of WA-360-P well option
- Preferred Farminee obtains Board of Director approval for WA-360-P farm-in
- Exercises well option for WA-360-P
- Well option for WA-359-P allowed to lapse unexercised on 31st December
- Regains 100% interest in NT/P68
- Submits application to renew NT/P68 for further 5 years
- Consolidated cash balance at 31st December A\$40.3m

MELBOURNE, AUSTRALIA (14th January, 2010) - MEO Australia Limited (ASX: MEO) provides the following update in relation to its activities for the quarter ended 31st December 2009.

WA-360-P (MEO 70%¹, Operator, Cue Energy 15%, Moby Oil & Gas 15%)

During the quarter MEO selected its preferred Farminee and substantially completed commercial negotiations with this party. In late December the preferred Farminee had secured Board of Director approval for the farm-in which represents a new country entry for this party. At the end of the quarter, agreements were being finalised.

Following receipt of advice that final approvals were granted by the preferred Farminee's Board of Directors, MEO exercised its option to commit to funding 100% the Permit Year 5 (begins 1st February 2010) commitment well to retain a 70% interest in the permit beyond 31st December 2009. MEO has offered up to a 50% interest in the permit to the preferred Farminee and expects to retain a minimum 20% interest post farm-out.

Discussions were initiated with drilling rig operators aimed at securing a rig to drill the Artemis-1 well in the second half of 2010. Artemis-1 will target mean prospective gas resources of approximately 12 Tcf in Jurassic aged reservoirs within close proximity of the existing North West Shelf Gas Venture producing fields (supplying 16.3 Mtpa LNG), the Pluto LNG project (4.3 Mtpa) currently under construction and the proposed Wheatstone LNG project (5-10 Mtpa) which is entering the Front End Engineering and Design (FEED) phase.

WA-361-P (MEO 35%, Operator, RDI 35%, Cue Energy 15%, Gas Corp 15%)

Seismic interpretation incorporating the Zeus-1 well results focussed on investigating the extent of Elliassen Sandstone reservoirs above the Main Unconformity and further defining the West Zeus Lead together with a newly identified lead (Lead A) in the graben southeast of Gandara-1. The Zeus-1 basic well completion report is nearing completion, while the interpretive report is in preparation.

¹ MEO is offering up to 50% interest in WA-360-P to a Farminee & expects to retain a minimum 20% interest post farm-out.

WA-359-P (MEO 60-70%², Operator, Cue Energy 15-20%, Exoil 15-20%)

Technical work on the Hephaestus Lead identified by MEO did not sufficiently de-risk the lead to warrant the Company exercising its option to remain in the Permit by committing to fund 100% of the Permit Year 6 commitment well commencing 1st February 2010. Consequently, MEO allowed its well option in relation to this permit to expire on 31st December 2009 without being exercised.

NT/P68 (MEO 100%)

During the quarter MEO and Petrofac reached agreement whereby the latter re-assigned their partially earned 10% interest in the Permit to MEO in consideration for being relieved of the outstanding commitment to fulfil the balance of their two well farm-in obligation.

MEO submitted its acreage renewal application for the permit during the quarter. This renewal is for 5 years from February 2010 and comprises a 3 year firm and 2 year optional work program.

Approved Gas Processing Projects (MEO 50-100%)

The Company continued to promote its regional gas development hub at Tassie Shoal and the economic benefits of CO₂ sequestration into a saleable commodity - methanol.

New venture opportunities

MEO evaluated a number of New Venture opportunities during the quarter.

Cash balance at end of quarter

MEO raised \$26.9m before costs in mid November to underpin the exercise of the well option for WA-360-P. This capital raising was initiated when MEO was notified that the preferred Farminee's board of directors had deferred its consideration of the transaction from mid-November to mid-December. The risk that the transaction might close after the well option expired and the tight timeframe required to raise this equity capital to preserve value for all shareholders necessitated raising these funds from Institutional and Sophisticated Investors.

At 31st December 2009, the consolidated cash balance was A\$40.3m including the proceeds of the capital raising.

Priorities for the quarter ending 31st March 2010

- Execute binding agreements for WA-360-P farm-in
- Secure drilling rig to drill Artemis-1 in 2nd half of 2010
- Continue efforts to secure gas for approved Tassie Shoal projects
- Continue discussions with prospective partners for Tassie Shoal gas processing hub
- Selectively screen New Venture opportunities



Jürgen Hendrich
Managing Director & Chief Executive Officer

² Subsequent to the end of the quarter, MEO will re-assign its 60% interest in WA-359-P to Cue and Exoil in equal proportions.