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ASX & Media Release

WA-360-P activity update

Key Points

- Whilst Farm-in terms had been agreed between MEO and preferred farminee, the Farm-in Agreement has not yet been executed
- Side agreements developed to address the establishment of a stand-alone LNG project and to improve aspects of the Joint Operating Agreement (JOA)
- Side agreements were executed by all except one party on 5th March 2010
- Remaining party advised on 17th March 2010 it would not execute the side agreements “as currently presented”
- Preferred farminee considering whether 85% alignment is sufficient to proceed
- Preparing to re-open farm-in if transaction cannot be completed
- Option secured over drilling rig for late 3Q/early 4Q drilling of Artemis-1

Melbourne, Australia (22nd March, 2010), MEO Australia Limited (ASX: MEO) advises that all issues in respect of the farm-in agreement and associated side agreements for WA-360-P¹ have been agreed with its preferred farminee. Unanimous agreement to the two side agreements was a pre-requisite to execution of the farm-in agreement. Three of the four parties executed the two side agreements on 5th March 2010. The remaining party advised on 17th March that its board would not execute the documents “as currently presented”. MEO has invited the remaining party to table their substantive issues and continues to seek an expedient outcome that is acceptable to all parties.

Background

The preferred farminee was selected on the basis of the tangible benefits it brings to the WA-360-P Join Venture, including:

- An extremely well resourced global energy company who is a recognized technology leader
- Independence from existing and planned LNG projects, allowing the most economically attractive development option to be pursued in the event of exploration success
- The rights conferred upon all parties to participate in a stand-alone LNG project at the same participating interest as its upstream

In October 2009, MEO introduced the WA-360-P partners to the preferred farminee. At this meeting, the requirement for two side agreements to be executed by all parties was tabled, including:

1. A Heads of Agreement (HoA) to facilitate alignment and effective operation of the proposed joint venture with respect to the potential implementation of an integrated LNG project in the event of exploration success; and
2. A side letter acknowledging certain requirements. The side letter subsequently developed into an Acknowledgement and Amendment Agreement (AAA) which included minor amendments to

¹ MEO 70%; Moby Oil & Gas (MOG) 15%; Cue Energy (CUE) 15%

clarify and improve certain operating aspects of the Joint Operating Agreement (JOA) requested by the preferred farminee.

The HoA and AAA were subsequently executed by three of the four parties on 5th March 2010. On 17th March the remaining party advised MEO that its board “*is unable to agree to the documents as currently presented*”. MEO remains actively engaged with this party to ascertain what their substantive issues are and will endeavour to have these resolved to the satisfaction of all parties.

Concurrently, the preferred farminee is evaluating the implications of proceeding with the transaction where three of the four parties representing 85% of the Joint Venture have committed to the side agreements. MEO expects to be advised of this decision once the evaluation has been completed.

Implications

Irrespective of the outcome of this transaction, MEO is committed to drilling the ~12 Tcf² Artemis prospect in 2010 and has secured an option over a drilling rig for a spud date between 1st September 2010 and 1st December 2010. The funds raised from sophisticated and professional investors in late 2009 are considered sufficient to underpin the drilling of Artemis-1.

While the Company continues to expend every effort to ensure that the farm-in transaction as envisaged will be consummated, MEO is preparing to re-open the farm-in opportunity in the event that the preferred farminee elects to withdraw from the transaction.



Jürgen Hendrich
Managing Director & CEO

² Mean prospective resources

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