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Dear Shareholder,

Given the important developments within MEO over the past several months, I felt it would be helpful to set out your Board's perspective on what has been achieved and what the future might hold for your Company.

Over the past year, the MEO executive team has been fully engaged in securing the best possible arrangements to maximise the value of our interest in exploration permit WA-360-P. As you already know, our exploration team has identified the Artemis Prospect with the potential to host mean prospective resources of approximately 12 Tcf (100% basis), sufficient for a stand-alone LNG project.

In late 2009, we secured our 70% interest in WA-360-P by undertaking to fund 100% of the cost of drilling the Artemis-1 exploration well and raised sufficient additional funds in November 2009 to underpin that commitment. It was always MEO's intention to secure a farminee who would agree to fund that exploration drilling in return for a share of our 70% interest in the permit.

In early April, we announced that Petrobras, Brazil's semi-public multi-national energy company, had agreed to farm into WA-360-P. Given that this transaction represented a new county entry for Petrobras, there was a need for extensive due diligence on their part which took considerable additional time to conduct.

Petrobras also requested that MEO put in place arrangements which would assist in the orderly development of a major gas project in the event that drilling at Artemis-1 would be successful. Given Petrobras' technical and financial strength, its independence from the established majors in the Western Australia gas industry and the attractive terms of the farm in, MEO was keen to settle these additional requirements and complete the farm in.

Upon receipt of Australian regulatory approvals including Foreign Investment Review Board approval, Petrobras will fund the cost of the Artemis-1 exploration well to a cap of US\$41 million and will pay MEO approximately US\$39 million including a cash bonus and seismic related back costs. Petrobras will take a 50% interest in the permit. If Artemis-1 is successful, Petrobras will make another US\$31.5 million cash bonus payment and carry MEO through the drilling of a further two wells to a cap of US\$62 million each.

There is no doubt that this transaction represents a very significant return on the investment we made in taking up our initial interest in WA-360-P. Not only do we receive a healthy upfront cash return, we also retain a 20% interest in what could be a substantial gas discovery. In addition, our partner ranks amongst the very top international oil and gas companies with the capacity to secure the best commercial outcome for the Joint Venture in the event of exploration success.

In exploration permit WA-361-P, where MEO holds 35% equity, further technical work is being undertaken aimed at defining additional prospectivity ahead of submitting an acreage renewal application later this year.

MEO has continued to explore ways to move ahead with the Tassie Shoal Methanol Project (TSMP) and the Timor Sea LNG Project (TSLNGP) proposed for Tassie Shoal. Over the past year we have initiated discussions with a number of companies with gas interests in the vicinity of our Tassie Shoal site with the aim of securing a gas supply for the projects. Notwithstanding these efforts, which have included offers to buy gas in the ground, we have not yet found deal terms which we regard as commercially sound.

There have been recent transactions of gas assets by a number of other companies in the area with further sales likely. We view this activity as positive since it vindicates our view that there is value to be obtained from development of remote Timor Sea gas which has a high CO₂ content, particularly for the production of methanol.

Apart from our efforts to secure third party gas for the Tassie Shoal projects, we have been undertaking further assessment of our two nearby gas discoveries at Blackwood and Heron in exploration permit NT/P68 where we hold 100% interest. We have been advised by the Northern Territory government that our exploration permit has been renewed for a further five years on the terms that we offered.

The 3D seismic surveys over Blackwood (2008) and Heron (2007) have revealed the potential for multi-Tcf gas resources in NT/P68. We have commissioned technical studies by prominent consulting groups that will firm up resource estimates and help to assess how any discovered resource might be developed. MEO's intention is to use these studies to attract a major international oil and gas company to participate in appraisal drilling in the permit currently planned for 2011.

Looking to the future, your Board has taken the view that although the Timor Sea and Carnarvon Basin assets are very valuable and hold great potential, their potential remains to be demonstrated and the risk of failure cannot be ignored. Put simply, we need to find additional projects to deliver a more balanced portfolio and diversify our risks.

MEO has assembled a core team of very capable professionals with substantial intellectual capital that needs to be productively engaged in new projects for the benefit of shareholders. Over the past year our exploration and commercial teams have examined numerous new opportunities – some very conventional and some very creative. We have identified opportunities where MEO could add value and reap a healthy return. Your Board has been reluctant to participate in these opportunities until the WA-360-P farm-in had been consummated and the funds that underpinned the commitment to drill Artemis-1, together with additional funds pledged from Petrobras were available to be redeployed.

With the Petrobras farmin now signed, we expect to be able to take advantage of opportunities which draw on our intellectual capital and with the potential to make a strong return on shareholders' funds.

Key activities planned over the coming months include:

- Firming up a rig contract and drilling the Artemis-1 well later this year
- Finalising technical studies involving NT/P68
- Conducting a farm-out process for NTP/68 to attract a funding partner
- Seeking third party gas for the Tassie Shoal projects
- Seeking out New Ventures with strong potential to benefit MEO shareholders

A number of new shareholders have joined the MEO share register following the identification of the Artemis prospect and our subsequent success in securing Petrobras as a farminee. We welcome those new shareholders and thank them for their support and vote of confidence.

To our longstanding shareholders, thank you for your continued support and patience. Rest assured that to the maximum extent possible, we will continue to keep you fully informed regarding the company's activities, except where there is a requirement for confidentiality.

I believe that the WA-360-P farmin has been a milestone event in the growth of our company and that we can all look forward to the future with some excitement.

For and on behalf of the MEO Board of Directors,



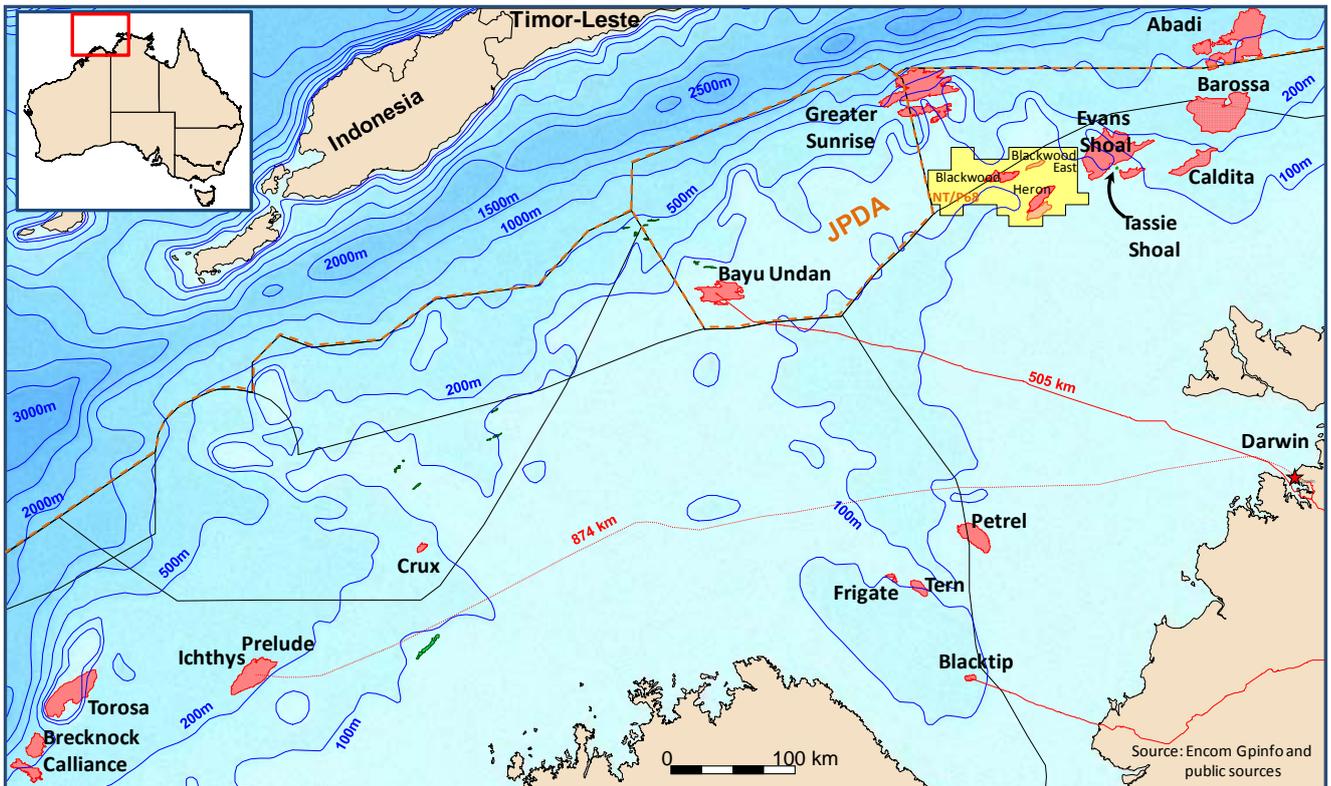
Jürgen Hendrich
Managing Director & Chief Executive Officer

MEO Australia Limited

NT/P68 Permit Overview

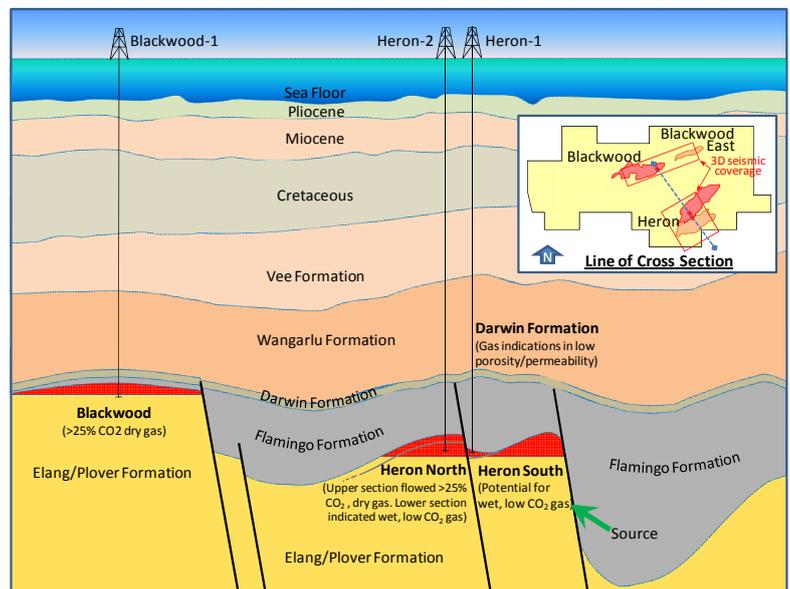
MEO operates the approximately 6,000 km² NT/P68 permit (100%) in the Bonaparte Basin. The permit is located close to other discovered gas fields approximately 300km from Darwin and contains two gas discoveries - Heron and Blackwood. Heron-2 intersected more than 200m of gross gas column in the Plover sands of the Heron North structure. Current technical assessment of Heron suggests the potential for a multi-Tcf, possibly wet gas accumulation which may be suitable for LNG feed. Blackwood-1 intersected a 49m gross gas column in Plover sands which, with CO₂ content of more than 25%, has potential for conversion to methanol.

MEO has renewed the NT/P68 permit for a further five years. Technical studies are currently underway to determine reservoir porosity distribution to optimise the location of appraisal wells. A resource estimate will also be undertaken before commencing a formal farm-out process in 3Q 2010.



Heron

Heron is an exciting gas discovery that warrants appraisal. The Heron-2 well drilled in early 2008 could not definitively test the more than 200m interpreted gross gas column displaying a liquids rich gas signature on mud logs acquired while drilling. A collapsed borehole and cyclone interruptions meant the well had to be abandoned. Several companies have registered unsolicited expressions of interest with MEO because they also recognise the untested potential of this discovery. In the event that gas that is low in CO₂ is delineated at Heron, MEO has an obvious commercialisation route via its approved LNG project proposed as one of its Tassie Shoal gas processing projects.



Blackwood

In contrast to the potentially liquids rich Heron gas discovery, Blackwood is a dry gas with >25% CO₂ and a 49m gross gas column in the Plover formation making it a suitable feed for methanol. MEO acquired a 384km² 3D seismic survey immediately following the drilling of Blackwood-1. This survey indicates the well was drilled on a fault. Two key questions that require further investigation are the size of the structure and whether the reservoir parameters at Blackwood-1 improve away from faulting.

Current and planned activity

The first phase of a seismic reservoir characterisation study is underway. This combined geological and geophysical evaluation (3D seismic acoustic inversion) will produce a seismically conditioned static reservoir model which will allow more confident assessment of the prospective resources of both fields and the optimisation of appraisal wells. Once this work is complete, MEO will seek farm-in partners to join in the drilling of at least 2 appraisal wells on one or both of the fields in 2011. If these wells confirm sufficient size and quality of the resources, the new Joint Venture will be in a position to rapidly move to commercialisation of the fields via MEO's LNG and/or methanol projects proposed for Tassie Shoal.

Commercialisation

Tassie Shoal is an area of shallow water in the Timor Sea some 275km north west of Darwin. The shoal is centrally located to seven undeveloped gas fields within a 150km radius. Many of these gas fields feature moderate (8-13%) to high (25-30%) levels of CO₂, rendering them uneconomic as feedstock for conversion to LNG.

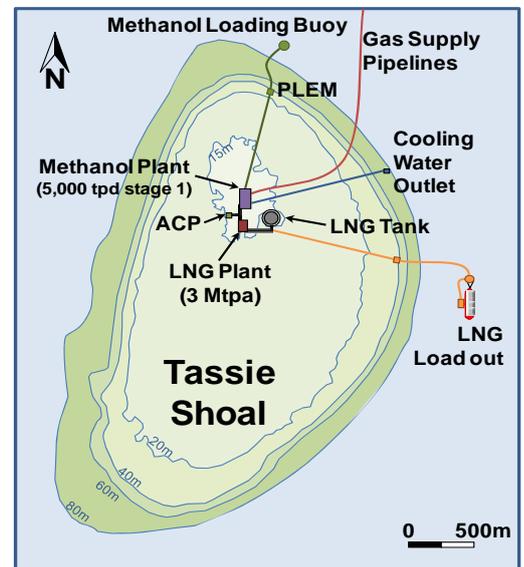
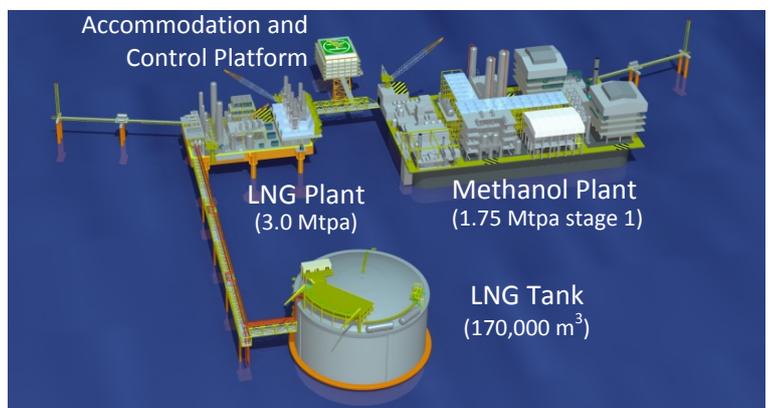
MEO is proposing to use Tassie Shoal as a regional development hub and has secured environmental approvals to locate two 1.75 Mtpa methanol plants and a single 3 Mtpa LNG plant on the shoal.

The Tassie Shoal Methanol Project (TSMP) proposes to use the Steam Methane Reforming (SMR) process which operates most efficiently with a feed gas stream containing 25% CO₂. Conversion of CO₂ into methanol produces highly stable end use products such as adhesives, fabrics, paints and silicones, effectively sequestering the CO₂ into methanol derivative products.

The Timor Sea LNG Project (TSLNGP) has the potential to significantly reduce development costs compared with a similarly sized land-based development. Studies based on mature cost information from reputable companies including WorleyParsons, Arup, Fluor, Davy Process Technology and Air Products, indicate the TSLNG offers potential capital cost savings in excess of US\$1 billion, on a like for like basis.

The cost savings result from avoiding the significant pipeline costs required for a land-based plant, combined with the substantially reduced footprint for the TSLNGP as a result of using indirect sea-water cooling compared with air-cooling for a land-based plant. The balance of cost savings come from pre-fabricating and pre-commissioning the LNG plant and storage tank entirely in a low cost SE Asian construction environment and transporting the completed plant and tank directly to Tassie Shoal in single modules.

Development of the TSMP and TSLNGP is contingent upon MEO securing suitable feed gas. In addition to progressing plans for appraisal of the gas discoveries in NT/P68, the company is in discussions with resource custodians in the area to develop mutually beneficial arrangements for commercialising the undeveloped fields.

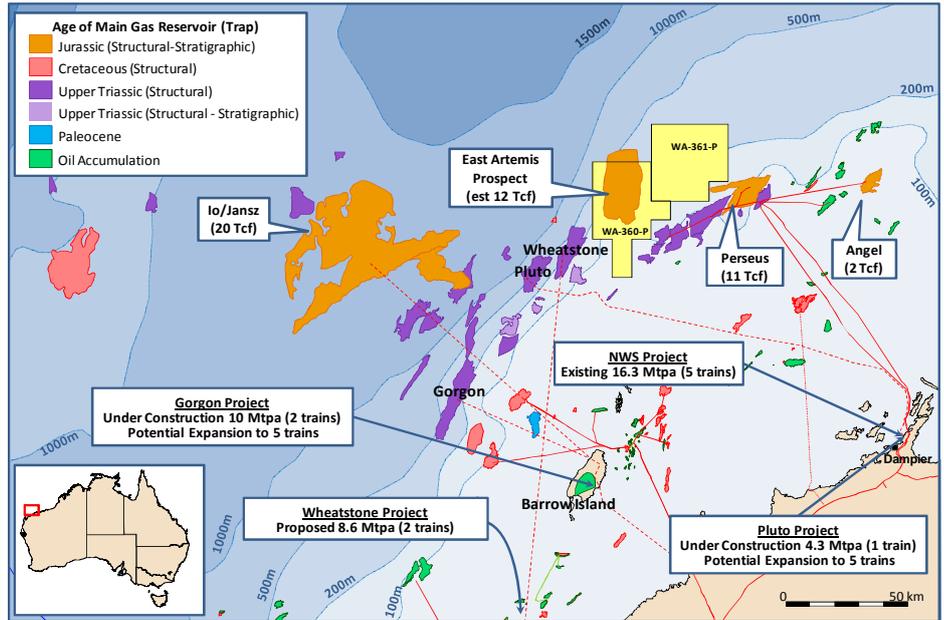


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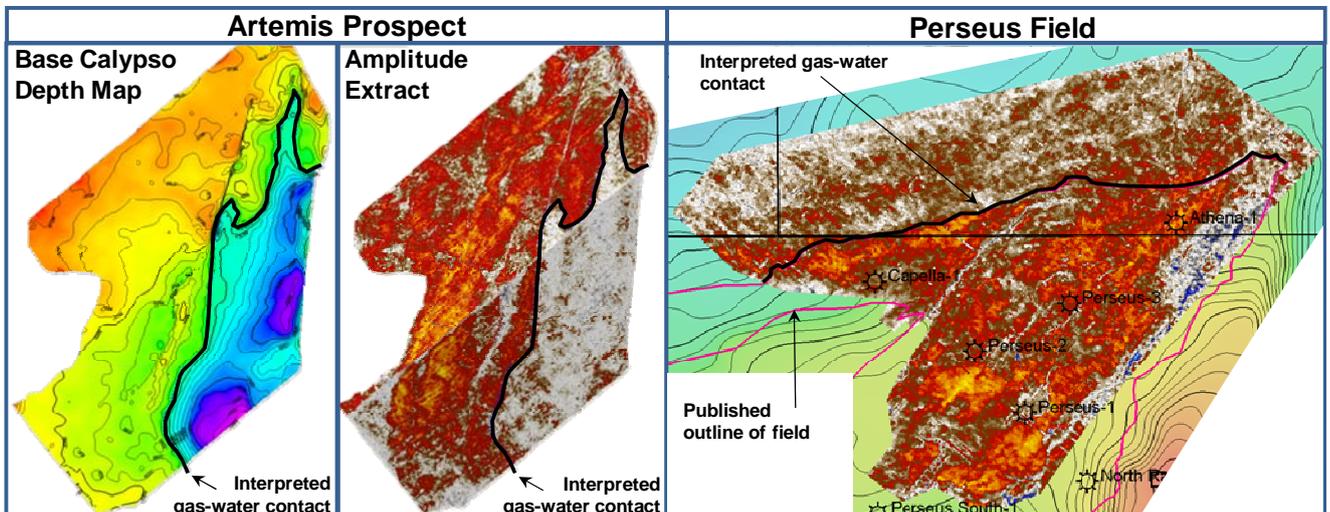
Artemis Overview

Artemis is a combination structural/stratigraphic trap with mean prospective resources of 12 Tcf in Jurassic aged reservoir sands analogous to the nearby producing Perseus gas field. The trap is only apparent after depth conversion strips away the masking effects of shallow carbonates and the steeply dipping seabed. The prospect is further supported by a direct hydrocarbon indicator (DHI) which is conformable with structural closure. The Artemis prospect was initially identified in 2008 on 3D seismic data acquired in late 2007. Additional 3D seismic data was acquired in 2Q'2009 and resulted in a dramatic increase in the size of the feature.

The Artemis prospect is analogous to several nearby, proven fields, the most similar of which is the 11Tcf Perseus field. Like Perseus, the Artemis prospect is believed to be reservoired in the Jurassic age formations. The Wheatstone and Pluto fields are recent gas discoveries (2004 & 2005) on trend with WA-360-P. Acquisition of 3D seismic and the improved depth conversion resulting from that, meant that the masking effects of shallow carbonates and the steeply dipping seabed could be stripped away to reveal these fields. Similar work undertaken



by MEO revealed the large Artemis prospect. Prior to the drilling of MEO's Zeus-1 well in the northern section of WA-361-P, industry experts did not expect the Jurassic reservoirs to extend far beyond the NWS Project fields. The Zeus-1 well however, encountered and proved the quality of the Jurassic sands whose seismic signature was then tied into the Artemis prospect on MEO's recently acquired 3D seismic surveys. The 2009 3D survey also allowed accurate calibration of MEO's depth conversion models which indicated closure of the prospect to the north, an area which was previously thought to compromise the structural closure of the prospect. Similarity to the Perseus gas field also extends to the Direct Hydrocarbon Indicators (DHIs) which are clearly present in the amplitude extracts from both fields and are concordant with structure.



Prospective Resource Estimate:

MEO'S experienced team of geoscientists identified and mapped the Artemis Prospect based on 3D seismic surveys acquired by MEO in late 2007 and early 2009. Regional information from neighbouring wells, fields and other seismic surveys was also integrated into this assessment. Extensive peer reviews were conducted from early May through mid-August 2009 with experienced technical teams from highly regarded international major oil and gas companies during a farm-out process. MEO also commissioned an independent consultant to review MEO's volumetric estimates for the East Artemis prospect. The key elements from this review were summarized in our ASX release dated 14th August 2009 entitled 'East Artemis pre-drill resource estimate upgraded'.

East Artemis Prospect – Pre-Drill Resource Estimates		
Reservoir Unit	Estimated Mean Gas In Place (TCF)	Estimated Mean Gas Recoverable (TCF)*
Calypso	10.8	6.4
Legendre	9.5	5.6
Total	20.3	12.0
* assumes 60% recovery factor		

Geological Chance of Success (GCOS)

The following assumptions and rationale were used in the calculation of the GCOS. Subsequent mapping of the new 3D seismic suggests the GCOS on the trap is higher, because structural rollover can now be mapped to the north. In addition, data comparisons with the Demeter 3D survey over the ~11 Tcf Perseus gas field indicates a strong similarity with the DHI response at Artemis, increasing our confidence in the Artemis DHI.

Prospect Components	GCOS	Comments
Trap	50%	On Brigadier structural high. North-south rollover, east-west fault seal Input: Top Legendre depth map, Perseus analogue
Reservoir Presence and Quality	80%	Extrapolation from Zeus, paleogeography favourable. Input: Zeus and Perseus
Source Presence and Quality	80%	Coals present in Mungaroo, Eastbrook has reservoired gas. Input: Guilford, Eastbrook, Banambu
Seal Adequacy	70%	Base seal. Input: Capella, Iago, Echo/Yodel
Maturation/Migration	90%	Modelling favourable, pathways simple, if Eastbrook/Artemis fault seals then access to area north of Eastbrook precluded. Input: Top Triassic depth map, fault plane cross-section
Timing	100%	Input: Basin modelling
Preservation	100%	Input: Basin modelling
Overall prospect GCOS	20%	Calculation
x DHI de-risking multiplier	1.6	Input: Perseus 3D, MEO 2007 3D, Artemis 3D. Refer below
= Geological C.O.S	32%	Calculation

Direct Hydrocarbon Indicator (DHI) de-risking Multiplier:

It is common industry practice to risk an exploration prospect by calculating an Overall Prospect GCOS then modifying that risk using a multiplier due to the presence of DHI's (excluded from the normal risk assessment process) to give the prospect an increased GCOS. In the case of Artemis the COS without applying a DHI de-risking is 20%, reflecting the complex nature of the prospect. The exact DHI multiplier is subjective, but in an area where DHI's work, "traditional" prospects with valid and calibrated DHI's are ranked at greater than 50%, commonly around 70% GCOS. Without DHI's the risk of these prospects is less than 50%, commonly in the 30-40% GCOS range. Thus a prospect with a high quality DHI can have up to a 2x multiplier for GCOS. MEO has used a 1.6x multiplier to reflect calibration to the ~11 Tcf Perseus gas field giving a final GCOS for the prospect of 32%.