

## ASX Announcement :

**MEO Australia Limited**  
**Technical assessment unveils significant Cuban potential**Level 20, 500 Collins St  
Melbourne, VIC, 3000 Australia

Open Briefing interview with Managing Director – Peter Stickland

In this Open Briefing®, MEO MD Peter Stickland discusses:

- **MEO is the only ASX listed company with exposure to the Cuban energy sector through its 100% interest in the highly prospective Block 9, located onshore in Cuba**
- **Transformative technical review completed on MEO's Block 9, part of the productive Gulf of Mexico oil petroleum province**
- **3 distinct oil play types identified, close to infrastructure**
- **Play Type 1, the "Lower Sheet Play" holds 15 leads with resource potential of over 8 billion barrels of oil-in-place and nearly 400 million barrels of recoverable Prospective Resource**
- **Further resource upside to come from ongoing review of 2 further oil play types**
- **Cuban upstream oil sector displays compelling low operating cost environment**

**Record of interview:****[openbriefing.com](http://openbriefing.com)**

MEO Australia Ltd (ASX: MEO) is the only ASX listed company with exposure to the Cuban energy sector. Can you provide an overview of your Cuban assets?

**Managing Director Peter Stickland**

MEO holds a 100% in the Block 9 Production Sharing Contract ("Block 9 PSC"). Block 9 PSC is a large onshore petroleum exploration block which is approximately 2,380km<sup>2</sup> (5,880,000 acres) and is located in northern Cuba. Block 9 PSC is situated in an untapped region of the Gulf of Mexico which is one of the world's great petroleum mega provinces. Critically, the North Cuba basin shares the rich, prolific oil source rocks that generate the hydrocarbons in the Gulf of Mexico, providing Cuba with a rich natural endowment of oil. The Gulf of Mexico province has been extensively explored in onshore and offshore United States, and to a lesser degree in Mexico, but remains under explored in Cuba due to the 50+ year US embargo. The United States Geological Survey estimates that the total undiscovered technically recoverable oil in the North Cuba basin, where Block 9 PSC is located, is 4.6 billion barrels. Locally the resource potential of Block 9 is supported by the close proximity to the largest oil field in Cuba, Varadero, which reportedly contains 11 billion barrels of oil in place and a number of prior discoveries that have been made in Block 9.

Block 9 itself is lightly explored but contains natural seeps, has several small oil discoveries and is adjacent to Sherritt International's production blocks which are currently producing approximately 18,000 barrels of oil per day.

[openbriefing.com](http://openbriefing.com)

MEO Australia Ltd (ASX: MEO) recently made an announcement regarding the technical assessment for its Block 9 Production Sharing Contract (PSC), onshore Cuba. Can you explain the work you have been doing and the results of your assessment?

**Managing Director Peter Stickland**

We are in the process of a comprehensive assessment of the oil prospectivity of the Block 9 PSC. This involves reinterpreting the old well and seismic data, the surface geology data and the information from offsetting fields.

This assessment found three oil play types within Block 9; the "Lower Sheet", "Upper Sheet" and "Shallow Tertiary" plays. We have now completed an initial resource assessment for the first of these, the Lower Sheet Play, showing very strong potential, containing more than 8 billion barrels of oil in place, with unrisks Prospective Resources of 395 million barrels.

[openbriefing.com](http://openbriefing.com)

Can you please provide some more detail on the Company's interpretation of the potential for the Lower Sheet Play?

**Managing Director Peter Stickland**

The Lower Sheet is one of three recognised play types in Block 9. Our mapping of the Lower Sheet has identified 15 individual leads in the western and central areas of Block 9. These leads have a combined potential of over 8 billion barrels of oil-in-place with an unrisks Prospective Resource of 395 million barrels on a best estimate, 100% basis. The play likely extends into the eastern area of Block 9, but there is no historical seismic data available to confirm this.

The Lower Sheet consists of a series of structures at depths typically between 2,000 and 3,500 metres with conventional fractured carbonate reservoirs. The nearby oil recoveries suggest the Lower Sheet has potential for higher quality, lighter crude oil compared to the older Cuban fields to the west of Block 9. MEO has conservatively estimated the recoverable Prospective Resource volumes using only the historical 5% recovery factor observed for nearby Cuban fields producing heavier oil. While it is too early to be certain, we do think there is potential to have a higher recovery factor in Block 9, given the anticipated lighter oil in the block and the potential to employ modern production techniques.

[openbriefing.com](http://openbriefing.com)

Peter, can you explain the significance for MEO achieving this milestone and what this initial resource assessment means for the Company?

**Managing Director Peter Stickland**

This initial resource assessment demonstrates the extraordinary potential of the Cuban Block 9 PSC and has transformed MEO's portfolio. The scale of this potential should not be understated; there are only a handful of places in the world where independent oil and gas companies can find onshore exploration opportunities of this size in proven, conventional plays in close proximity to infrastructure.

This enormous prospective resource of the Block 9 PSC represents a unique opportunity for MEO. MEO has an early mover advantage by securing the Block 9 PSC before oil and gas companies from the United States are able to compete and invest in Cuba. MEO the only ASX listed company with exposure to the Cuban energy industry.

[openbriefing.com](http://openbriefing.com)

Now that a number of exciting prospects have been identified, what are the next steps for MEO to progress Block 9 from here?

### **Managing Director Peter Stickland**

We aim to drill and test this potential in Block 9 PSC at the earliest opportunity. Amongst the identified leads we consider that some drilling opportunities can be quickly matured, particularly those with nearby or shallow oil recoveries from old wells.

In order to get to the position to drill we intend to commence well planning to provide some definition on the engineering, procurement, permitting and access factors related to drilling in Block 9. We will also complete the assessment of the Upper Sheet, to understand the potential to drill multiple objectives in the one well.

#### **[openbriefing.com](http://openbriefing.com)**

What would be the scope and size of any planned drilling for the Lower Sheet Play, and what key areas would MEO be targeting?

### **Managing Director Peter Stickland**

Based on the potential we have seen so far, our goal is to mature two drilling opportunities targeting the Lower Sheet.

In the central area, the A2 lead is potentially very large, with a best estimate of Prospective Resources of 64 million barrels and a high estimate of 222 million barrels. There are two oil wells above A2, Guadal-1 and Bolanos-1, both of which recovered good quality oil from the Upper Sheet. We are still evaluating these shallower oil recoveries to determine if a well can be drilled to test both these shallower zones and the A2 lead.

In the western area of Block 9, the Marti-5 well drilled in 1984 before seismic was acquired in the area, and we now consider it penetrate the Lower Sheet off structure. Despite this, Marti-5 still recovered light, high quality oil and had oil shows over a 390 metre gross interval from the Lower Sheet section. We see a number of structures close to and up dip from Marti-5 and we are investigating the potential of drilling one of these leads.

#### **[openbriefing.com](http://openbriefing.com)**

The other two oil play types within Block 9 are the “Upper Sheet Play” and “Shallow Tertiary Play”. What is MEO’s assessment plan and timing for these play types?

### **Managing Director Peter Stickland**

Having characterised the resource potential of the Lower Sheet, we are now focussing on the other two oil plays, the Upper Sheet and the Shallow Tertiary Play. We intend to undertake a similar resource assessment of these two exciting plays, which have had historical oil recoveries in and around Block 9. These studies should be concluded later in 2016. We expect these plays will add further to the resource potential of Block 9.

#### **[openbriefing.com](http://openbriefing.com)**

Cuba has been in the spotlight lately over the strengthening of diplomatic relations with the US. What is the state of Cuba’s energy industry at present, and how did MEO come to be a part of it?

### **Managing Director Peter Stickland**

Cuba produces around 80,000 of oil per day, approximately half of their domestic consumption. The Government is very keen to grow their domestic production to reduce this reliance on imports.

Several years ago MEO undertook a global screening study to identify proven, conventional onshore provinces with giant resource potential. Cuba emerged as the best opportunity, based on its technical merits, but also the stable and effective regulatory environment. Well before the relations between the US and Cuba started to improve MEO pre-qualified as an operator in Cuba, identified Block 9 as a high ranked opportunity and negotiated directly with the Cuban national oil company, leading up to the award of the Production Sharing Contract to MEO in September 2015.

---

[openbriefing.com](http://openbriefing.com)

For an oil company, what are the operating conditions and government support like in Cuba? And how does this position MEO's future operations in the country?

**Managing Director Peter Stickland**

MEO believes it is well supported in Cuba by the national oil company, CUPET, which is seeking to grow domestic oil and gas production. The stability of the operating and regulatory regime in Cuba is demonstrated by Sherritt International from Canada, who have been exploring, developing and producing oil and gas in Cuba for more than two decades.

There is a moderate sized, active oil industry in Cuba, including international oil companies but of course US oil companies are not yet able to invest in Cuba due to the 50+ year US embargo. There are a number of onshore drilling rigs in Cuba which MEO will consider for its potential drilling in Block 9.

Operating costs in Cuba are considered modest. Sherritt International, whose projects include production at the nearby Varadero field reported an operating cost in Cuba of US\$9 per barrel for 2015.

[openbriefing.com](http://openbriefing.com)

Thank you

---

For more information about MEO Australia Limited, visit [www.meoaustralia.com.au](http://www.meoaustralia.com.au) or call +61 3 8625 6000

**DISCLAIMER:** Orient Capital Pty Ltd has taken all reasonable care in publishing the information contained in this Open Briefing®; furthermore, the entirety of this Open Briefing® has been approved for release to the market by the participating company. It is information given in a summary form and does not purport to be complete. The information contained is not intended to be used as the basis for making any investment decision and you are solely responsible for any use you choose to make of the information. We strongly advise that you seek independent professional advice before making any investment decisions. Orient Capital Pty Ltd is not responsible for any consequences of the use you make of the information, including any loss or damage you or a third party might suffer as a result of that use.