



**MEOAustralia**  
energy for the future

# 20<sup>th</sup> Annual General Meeting “*Repositioning our Company*”

October 30<sup>th</sup> 2014



# Disclaimers

## Forward-looking Statements and Resources



### Forward-looking Statements

This presentation includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with estimation of potential hydrocarbon resources, the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

MEO Australia accepts no responsibility to update any person regarding any error or omission or change in the information in this presentation or any other information made available to a person or any obligation to furnish the person with further information.

### Contingent and Prospective Resources

In regard to Prospective Resources the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Seruway PSC in which MEO has an interest is subject to the terms of a profit sharing agreement. The terms of this agreement generally allows for the working interest participants to be reimbursed for portions of capital costs and operating expenses and to share in the profits. The reimbursements and profit proceeds are converted to a barrel of oil equivalent by dividing by forecast product prices to determine the “entitlement resources.” These entitlement resources are equivalent in principle to net resources and are used to calculate an equivalent net share, termed “Net Entitlement Interest.”

In accordance with the ASX listing rules, MEO net resources or interest for Seruway PSC subject to this agreement is the entitlement based on MEO’s working interest.

Conversion factors: 6 Bscf gas equals 1 MMboe; 1 bbl condensate equals 1 boe

Resource assessment in this document are based on, and fairly represents, information and supporting documentation prepared by Mr Peter Stickland, MEO’s Exploration Manager, who is a contractor of the company and has over 20 years of relevant experience. Mr Stickland is a member of the EAGE and PESA and consents to the publication of the resource assessments contained herein.

# Outline

*“Repositioning our Company”* in a rapidly changing business environment



## Ongoing Business Activities

- NT/P68 – Blackwood & Heron
- Tassie Shoal Projects
- WA-454-P – Breakwater and Marina
- Withdraw from selected acreage

## Business Environment

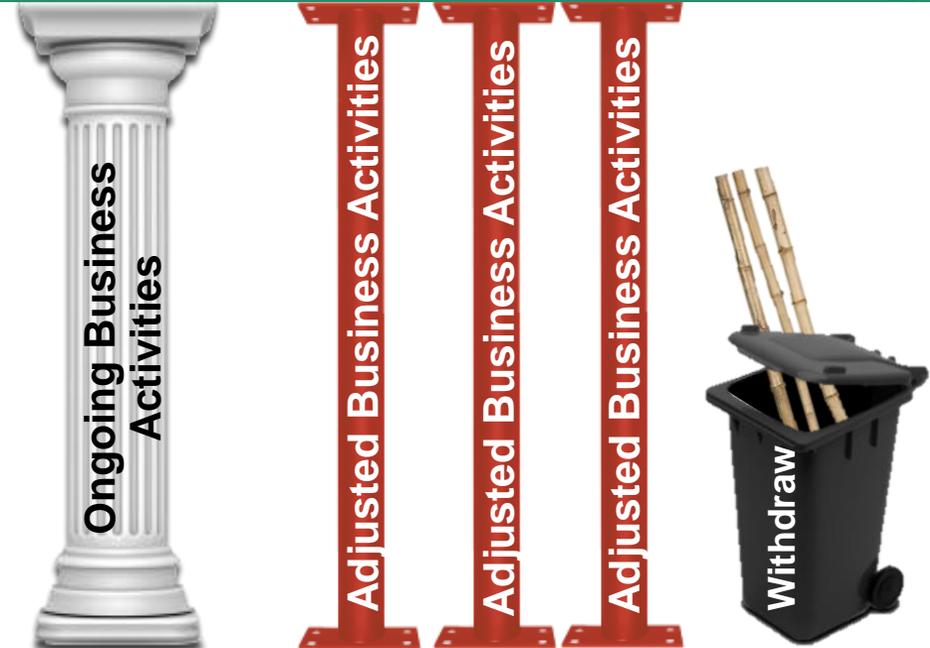
- Challenging environment for junior explorers
- Limited investor appetite for exploration risk
- Soft oil prices & farm-out market

## Adjusted Business Activities

- Tassie Shoal Projects – value realisation initiative
- Strategic partnerships for financial strength
- New Ventures efforts focused on appraisal/development opportunities
- New Zealand initiative



## MEO Australia Limited



# Ongoing Business Activities

## NT/P68 – Heron & Blackwood



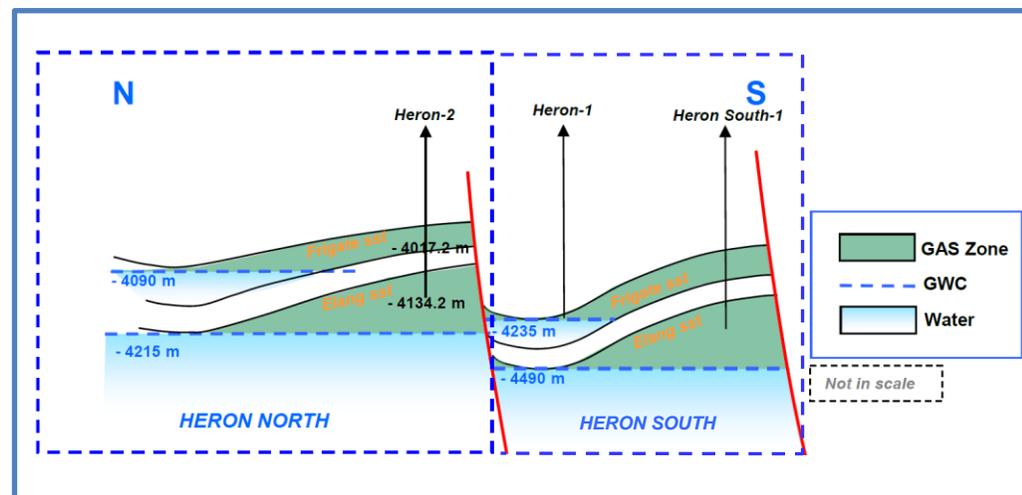
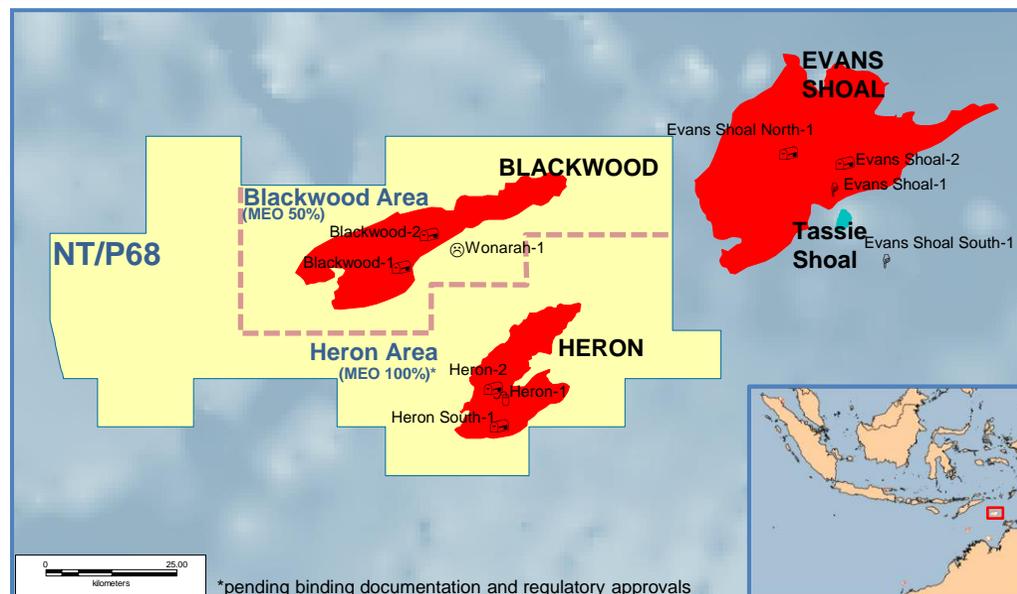
### Farmin status:

Eni provided formal notices under the Farmin Agreement on 28<sup>th</sup> October:

- Elected not to drill an additional well on the Heron structure - withdrawing from Heron Area
- Elected to remain at 50% in the Blackwood Area – plan to commence Blackwood Development Studies (BDS)\*

### Impact on MEO:

- Regains 100% and Operatorship of the Heron discovered & prospective gas resources
- Pending completion of BDS, will likely apply for retention lease over Blackwood gas resource
- BDS will include consideration of all potential development options including supply to Tassie Shoal Methanol Plant (TSMP)



\* Subject to negotiation and JV agreement

# Ongoing business activities

## Tassie Shoal business development

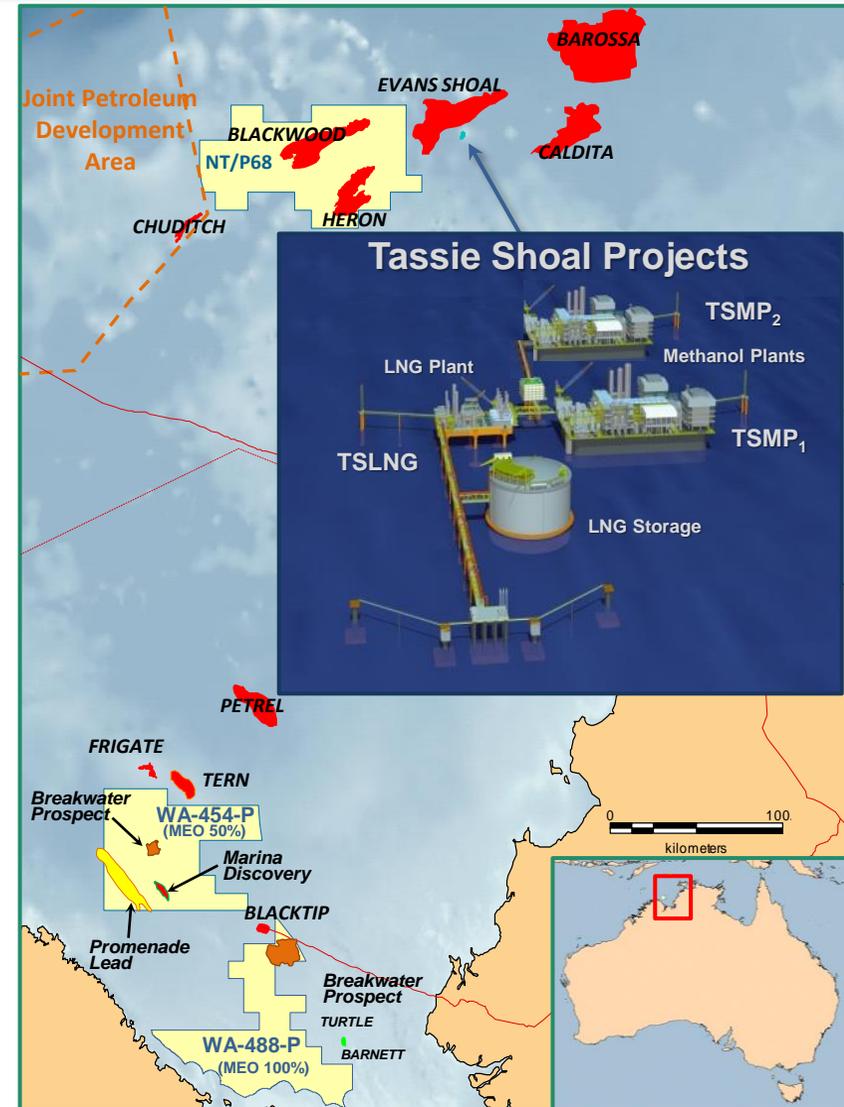


### Continued existing strategy

- Ongoing business development and technical assessment with potential midstream investors

### Gas Supply Discussions

- Continued to promote the potential of Tassie Shoal projects to local stakeholders and resource owners
- Confirmed potential gas purchase price of US\$3.15/MMBTU\* to potential gas suppliers
- MEO analysis indicates this is competitive price against alternative netbacks to suppliers
- Potential Gas Supply:
  - Evans Shoal - Discussions with JV deferred to Jan 2015
  - Barossa & Caldita - pending appraisal drilling scheduled to commence 4Q'2014
  - Blackwood and Heron – pending further evaluation and appraisal



\* 1 Jan 2015 basis, raw unprocessed gas (including CO<sub>2</sub>) delivered to TSM P1 plant gate

# Ongoing Business Activities

## WA-454-P: 50/50 JV with Origin Energy

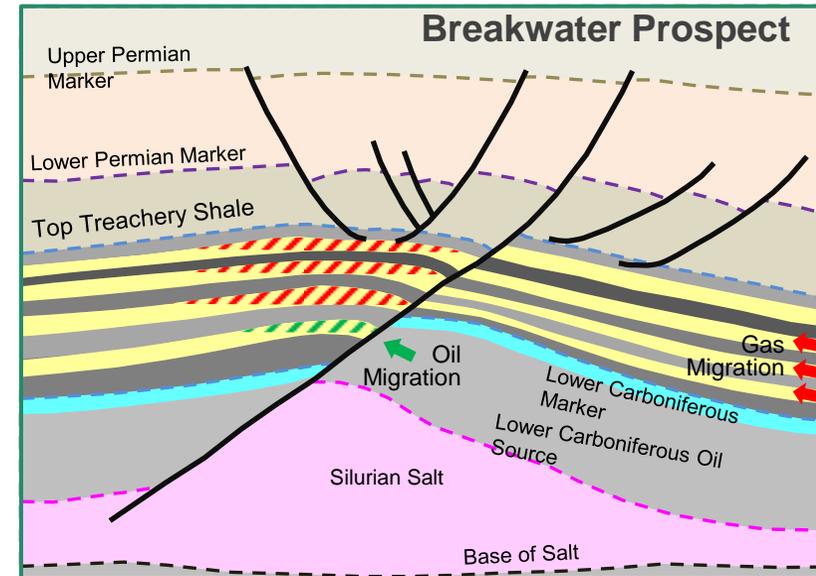
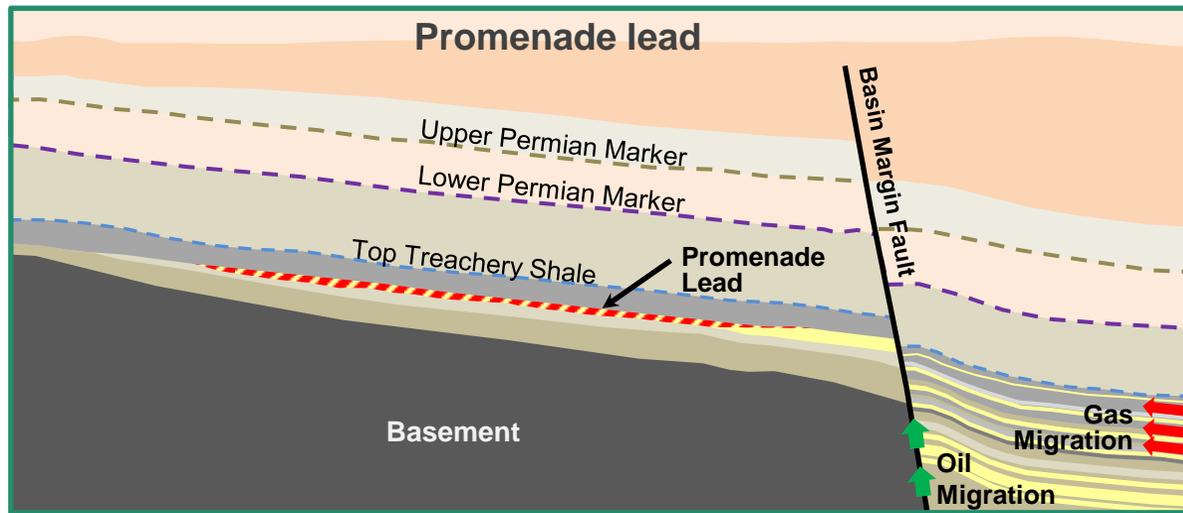
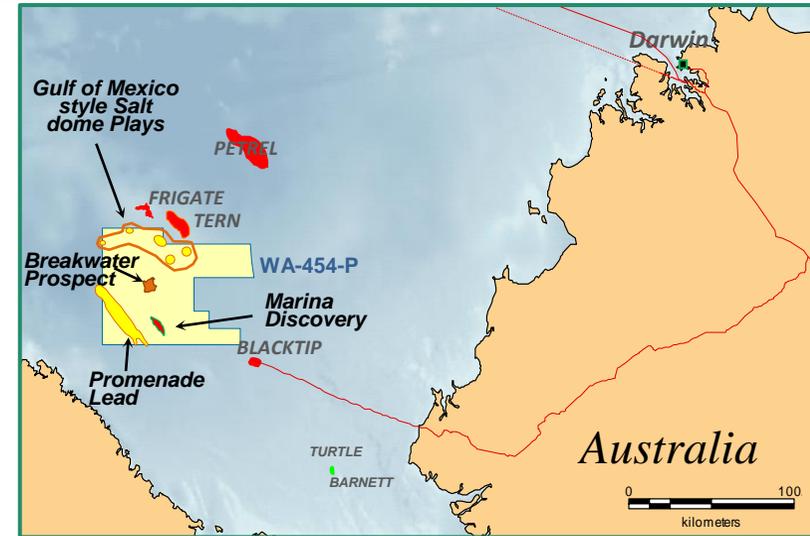


### Breakwater:

- Large prospect with potential for gas and oil
- Defined on high quality 3D seismic data
- 89m water depth suitable for jack-up drilling rig
- Multiple objectives between 1,800m - 3,200m
- Same reservoirs produce in nearby Blacktip gas field
- Breakwater-1: 2015/16, Origin funding 80% of well\*
- MEO farming out additional equity to fund residual 20%

### Other Prospectivity:

- Marina - Contingent resource with additional prospectivity
- Promenade Lead – multi-TCF basin margin play
- Gulf of Mexico style salt dome plays



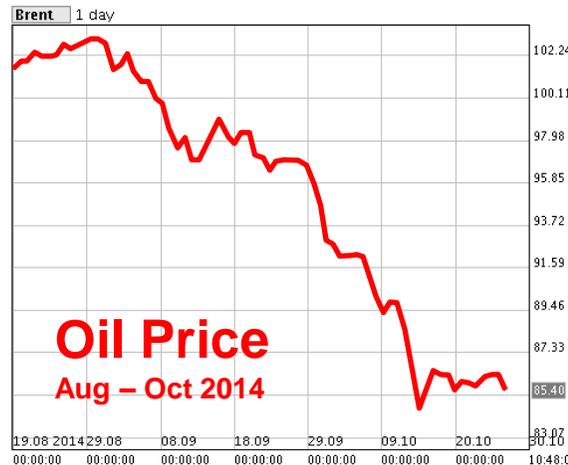
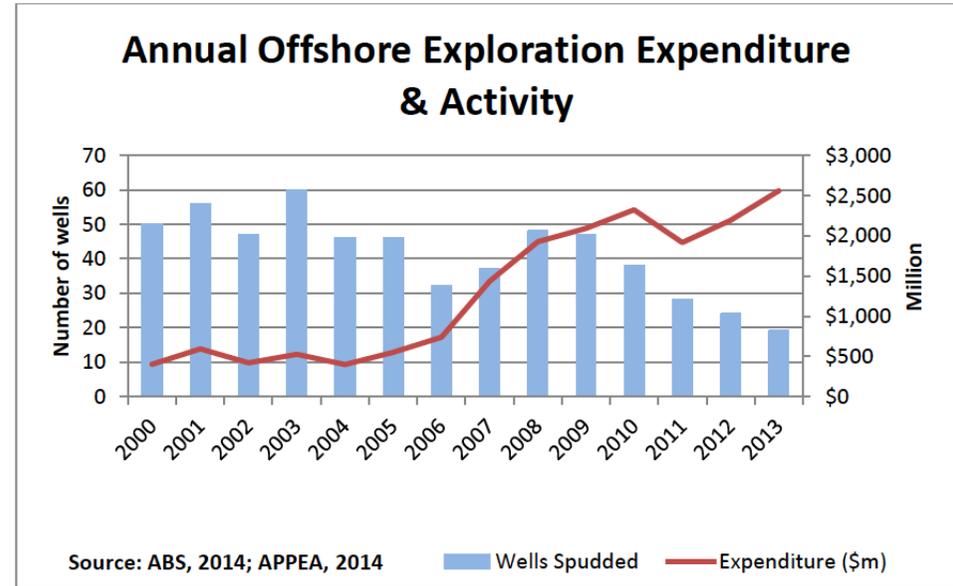
\* To a well cost (100% basis) capped at A\$35m – refer previous ASX releases

# Business environment

Challenging for junior explorers, compounded by softening oil prices



- Suppressed risk appetite for conventional exploration
- Increasing costs for offshore exploration
- Oversupply in global LNG market
- Rising costs impacting Australian LNG competitiveness
- Soft farm-out market
- Softening oil prices
- Asset divestment by majors



Top Constraints on JUMEX* Companies	FY 15	FY 14	FY 13
Lack of availability of equity funding	1	1	1
Volatility of commodity prices	2	3	2
Regulatory challenges	3	4	-
General stability of financial markets	4	5	4
Deterioration of company share price	5	2	3

Source = Grant Thornton - Industry Position Survey, Oct 2014

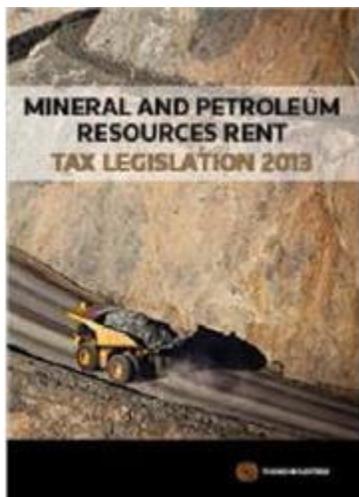
A BUYER's market is emerging!

# Adjusted business activities

## Adapting to the prevailing business environment



- Value realisation initiative
- Ongoing operating cost reductions
- Relinquish/divest underperforming assets
- New Venture focus on shorter cycle time projects
- Preference for oil projects (faster payback)
- Shift to onshore (lower cost environment)
- Leverage our technical/commercial capabilities
- M&A considerations



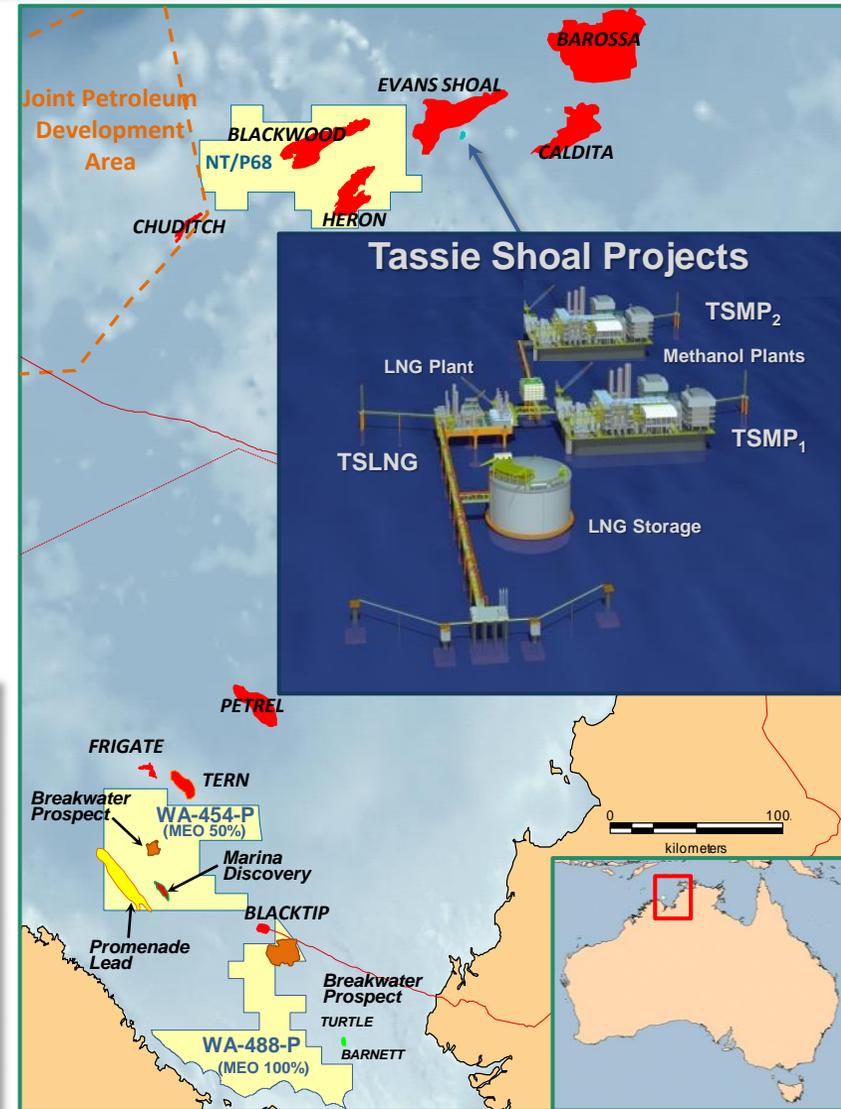
# Adjusted business activities

## Value realisation initiative



### Tassie Shoal Value Realisation Initiative

- Appointed UBS to manage process
- Identified new parties with specific interest in the Tassie Shoal Methanol Projects
- Management presentations and full technical data room
- Strong interest pending availability of gas supply
- Recent & current drilling activity provides greater confidence in resource definition



Regional Drilling Activity	2012				2013				2014				2015									
	Q4		Q1		Q2		Q3		Q4		Q1		Q2									
	A	S	O	N	D	J	F	M	A	M	J	J	A	S	O	N	D	J	F	M	A	M
Heron South 1																						
Evan Shoal North 1																						
Blackwood 2																						
Barossa 2																						
Barossa 3 (planned)																						
Barossa 4 (planned)																						

# Adjusted business activities

## Operating cost reductions



- Salary freeze implemented since 2012
- Directors fee reductions with effect from 1<sup>st</sup> October 2014
- Targeted reduction in staffing numbers while retaining maximum capability
- Head office relocating to smaller space
- Jakarta Office reduced space & personnel
- Achieved \$2.4m reduction in General Admin costs in 12 months 2012/13 – 2013/14
- Additional measures to be implemented to achieve further cost savings

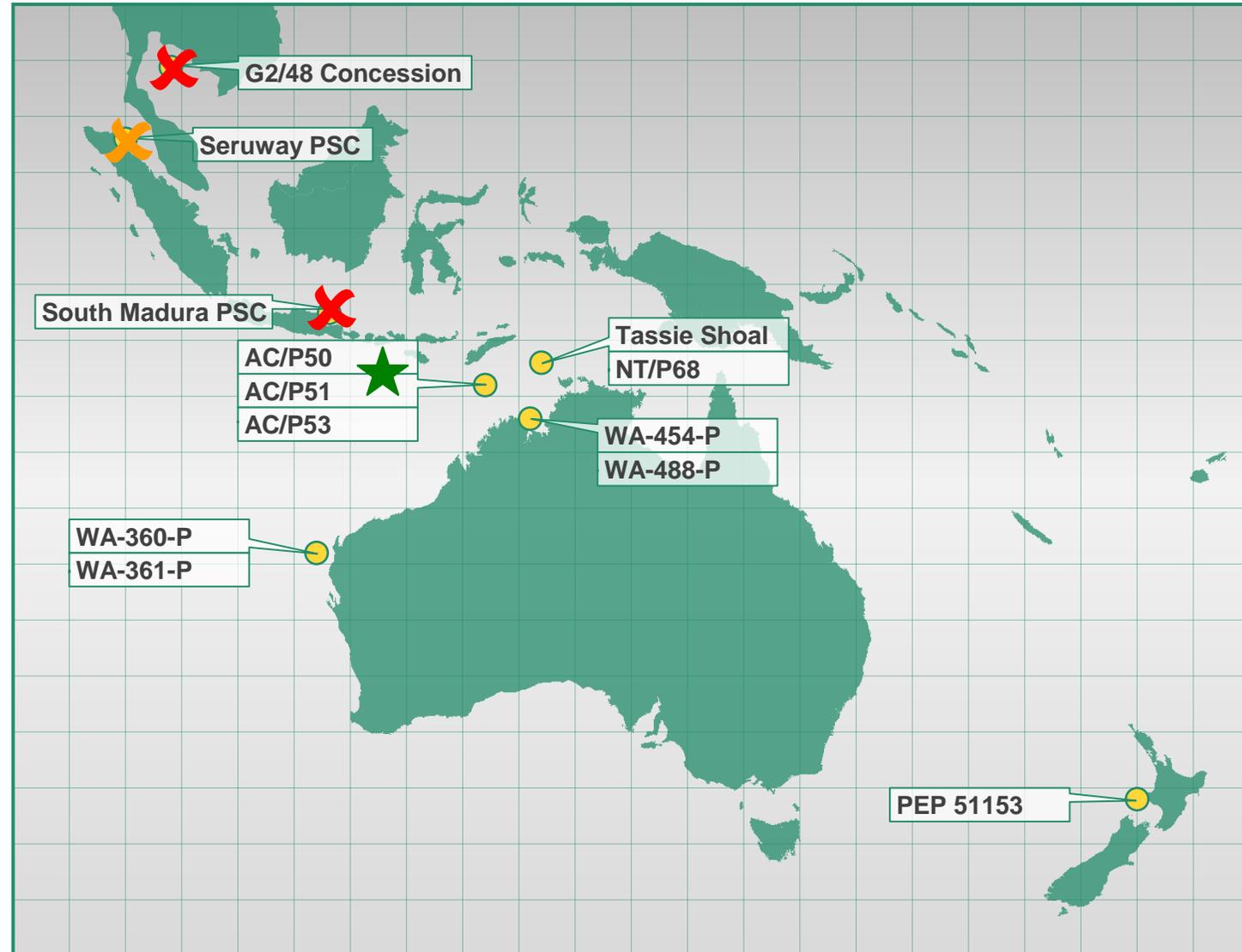


# Adjusted business activities

## Acreage management



- X** South Madura PSC
  - Surrendered Oct 2013 on PSC expiry
- X** G2/48 Concession
  - Surrendered Jan 2014 after JV partner withdrawal left MEO with 100% well obligation
- X** Seruway PSC
  - Relinquishment pending following end of exploration period
- ★** AC/P50 & AC/P51
  - Negotiated work program variation removing obligation wells from final year



# Adjusted business activities

## Forming strategic alliances with strong financial partners



### Hongfu Strategic Alliance

- Allowed us to screen several opportunities with material existing production
- MEO unable to access such opportunities in its own right
- MEO technical expertise supplemented by Hongfu financial resources
- Many opportunities screened, disciplined investment process with high thresholds required to be met/exceeded



# Adjusted business activities

New Ventures focus – lower cost, shorter cycle time, preference for oil



## Focus on:

- Proven hydrocarbon plays
- Low cost entry
- Established infrastructure
- Reserves based assets
- Enormous level of projects screened

## International Onshore Oil Opportunity

- 1-3 contiguous PSCs
- Adjacent to currently producing oil
- PSC negotiation advanced

## Two International Offshore PSCs

- One with proven gas fields on block
  - Consortium bid with conditional development
  - High price local gas market
  - Oil exploration upside potential
- Other with exploration upside
  - Minimal partially carried work program



Australian Government

## Australian Acreage Releases

Geoscience Australia

Currently targeting:

- Three offshore permits
  - Two onshore permits
- OFFSHORE PETROLEUM EXPLORATION  
ACREAGE RELEASE | AUSTRALIA 2014



# Adjusted business activities

## New Zealand farm-in – oil production PLUS exploration upside

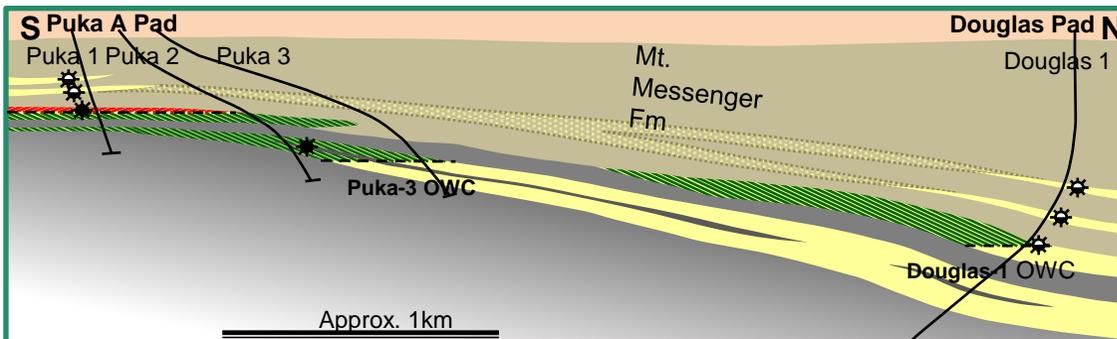
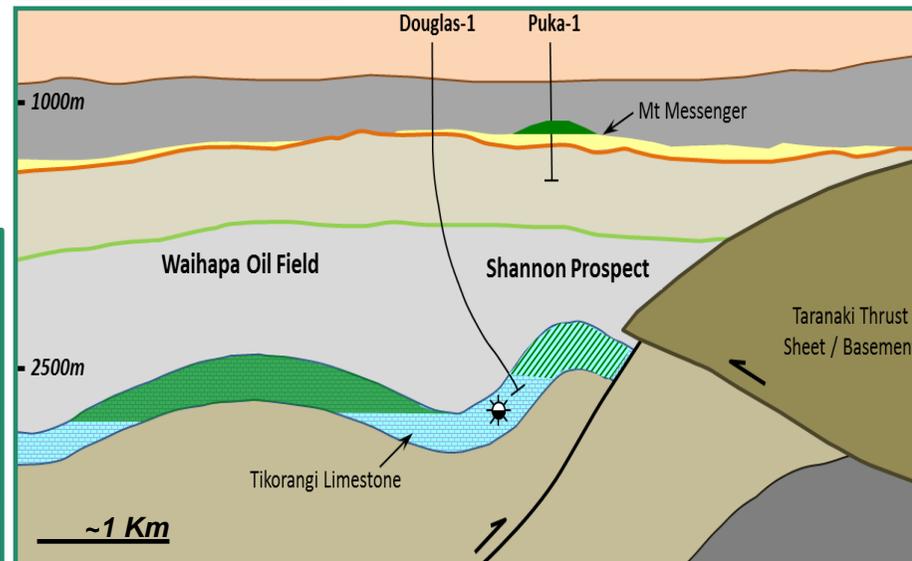
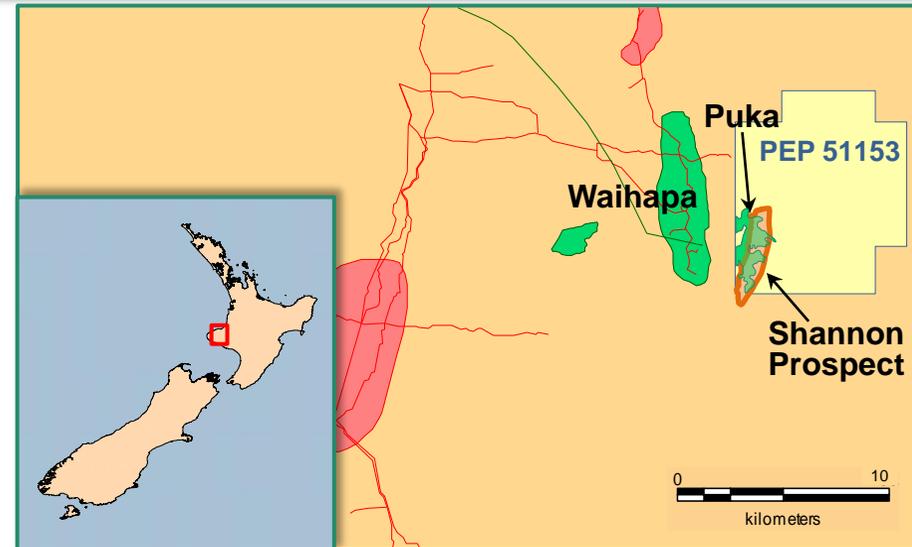


### Puka 3:

- Targeted thicker, better quality sands above prognosed oil water contact (OWC)
- Encountered thicker than expected reservoir section but OWC shallower than expected

### Puka Deep - Shannon Prospect

- Douglas-1 encountered 15m of good oil shows in Tikorangi limestone, flow test compromised
  - Possible Oil-Water-Contact?
- Shannon prospect has >350m mapped closure updip of these shows
- Same source and reservoir as adjacent Waihapa oil field (produced >24 MMbbl)



# Adjusted business strategy

Consider M&A where metrics make sense



## Merger & Acquisition considerations

- Consolidation amongst ASX listed junior E&P companies is inevitable
  - Too many undercapitalised companies
  - Cost synergies, capital allocation
- Acquire projects that utilise MEO's tax losses and PRRT Credits
- Blending technical capability, existing portfolio and identified growth options with balance sheet strength, aligned values & any additional benefits
- MEO seeking to be pro-active, targeting opportunities where value of the combined entity is more valuable than sum of the parts

$$1 + 1 > 2$$



# The year ahead

## “Repositioning the company”



- Adapt business model
  - Business environment to remain challenging
  - Opportunities emerging – a buyers market
- Crystallise value in portfolio
- Sharp focus on reducing overheads
- Build on existing strategic relationships
- Forge new partnerships to access balance sheet strength
- Screen for attractive, low entry cost projects
- Farm-out residual exposure to Breakwater-1
- Be open to merge where synergy benefits accrue to shareholders of both companies



MEO Australia Limited



$$1 + 1 > 2$$

