

ASX & Media Release

Cuba “Block 9” PSC Update

Key Points:

- Ongoing technical review of Cuba Block 9 confirms the significant prospectivity of the block, with initial analysis identifying recovered oil from a number of previously drilled wells on the block and a number of structural leads and prospects
- The first half of 2016 will see important ongoing news flow from Block 9, including the results of a full prospectivity assessment and the reprocessing of seismic data
- MEO’s established position in Cuba provides a strong early mover advantage ahead of ongoing strengthening of diplomatic relations between Cuba and the U.S.
- Cuba’s energy industry holds significant appeal including: low production costs (US\$9/bbl), large-scale import replacement potential and an attractive fiscal regime
- Investment interest in Cuba’s energy industry is increasing and includes a recent transaction that indicates significant value upside in Block 9

MELBOURNE, AUSTRALIA (9th February, 2016)

MEO Australia Limited (ASX: **MEO**) is pleased to Provide the following update in relation to Block 9, onshore Cuba (Figure 1).



Figure 1. Block 9 location map showing adjacent fields.



Prospectivity assessment of Block 9 underway

MEO has now received a considerable quantity of historical technical data from Block 9 and has commenced a detailed assessment of the prospectivity of the block.

To date MEO can confirm that a number of wells previously drilled in Block 9 have recovered oil. Amongst these are:

- Guadal-1, drilled in 1970/71 (prior to the acquisition of modern seismic data), recovered more than 30 barrels of light oil (24° API) on test
- Marti-5, drilled in 1988/89, recovered 20.5° and 24° API oil and had oil shows over a 390 metre gross interval
- Bolanos-1 drilled in 1991 recorded a recovery of 22° API oil

These historical drilling results along with the previously produced Motembo field and the extensive natural seeps and tar deposits (all within MEO’s Block 9) indicate a widespread and prolific petroleum system within MEO’s Block 9.

In addition, initial analysis has identified the presence of a number of prospective structural trends on Block 9, and the potential for a significant number of additional structural leads and prospects has been identified during the preliminary interpretation of the existing seismic data (see Figure 2).

A project to reprocess some of the existing 2D seismic data has commenced. This reprocessing will seek to improve the data quality and thus enhance the understanding of Block 9.

MEO expects ongoing updates over the coming months and to conclude its preliminary assessment of the prospectivity of Block 9 and the seismic reprocessing project by mid-year.

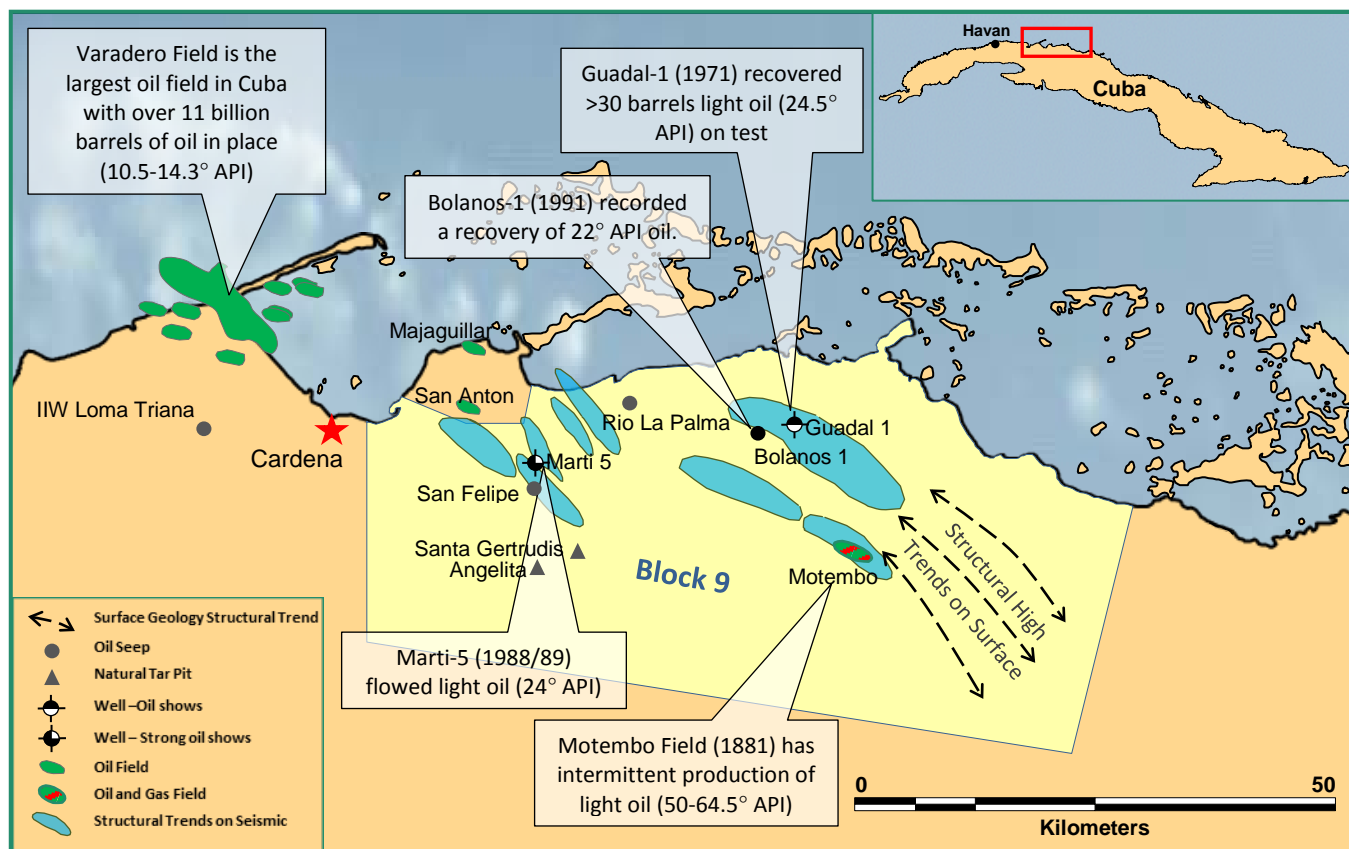


Figure 2. Initial interpretation of prospective trends in Block 9.



MEO's CEO and MD Peter Stickland, commented on the announcement:

“Cuba Block 9 represents MEO's highest priority asset for near-term value creation. Early 2016 will be an exciting time for this asset, with the completion of major reviews currently underway that will confirm Block 9's potential and future growth plans. Interpretation of the data that has been received so far suggests a rich petroleum system is present, that there are a number of old wells that have tested oil and there are a significant number of prospective structural trends in Block 9.

“MEO's early mover positioning in Cuba holds significant potential. The low operating costs in the Cuba support strong profitability levels even in depressed oil price conditions and the improving diplomatic relations with the U.S. is expected to drive substantial foreign investment over the coming years.”

Block 9 award, tenure and work program

The Block 9 PSC, covering 2,380km² onshore the north coast of Cuba, was executed on 3 September 2015. The Block 9 PSC area is in a proven hydrocarbon system with multiple discoveries within close proximity, including the multi-billion barrel Varadero oil field. Block 9 contains the Motembo field, the first oil field discovered in Cuba.

The exploration period of the Block 9 PSC is split into four sub-periods with withdrawal options at the end of each sub-period. The first sub-period involves evaluating the existing exploration data in the block and reprocessing selected 2D seismic data before determining whether to proceed with a subsequent 24-month exploration sub-period that includes acquisition of new 2D seismic data.

MEO has secured a 100% interest in Block 9, subject to a conditional 40% back-in option held by Petro Australis Limited.

Doing Business in Cuba

In 2014 the Cuban Government passed the Foreign Investment Act encouraging new investment in Cuba, including setting a corporate tax rate between 15% and 22.5% with a corporate tax holiday for the first eight years.

In late 2014 the United States commenced the thawing of diplomatic relations with Cuba which has included a 54-year embargo on U.S. trade with Cuba. In 2015 the United States re-opened its embassy in Havana and eased travel restrictions. As an illustration of the opening of relations, in October 2015 a joint Cuba – USA symposium on offshore drilling safety, regulation and technology for the prevention and response to offshore oil spills was held in Havana.

Oil Industry in Cuba

Cuba currently produces approximately 80,000 barrels per day representing only ~50% of the oil consumption of the country. The majority of the oil industry is currently operated by the national oil company, CUPET and there is only one foreign company, Sherritt International from Canada, currently producing oil in Cuba.

Operating costs for onshore production in Cuba are modest, with Sherritt International reporting operating costs of US\$9 per barrel for the September 2015 quarter for their operated fields located to the west of Block 9.



Interest in investing in the oil industry in Cuba continues to grow. Recently-listed Leni Gas Cuba Limited reported in its accounts to 31 September 2015 that it had acquired a 15% interest in Petro Australis Limited at a price that values Petro Australis Limited at more than A\$11 million. Petro Australis Limited's only reported asset is a conditional back-in right for 40% of MEO's Block 9, onshore Cuba. This transaction implies significant upside potential for the valuation of Block 9 within MEO's portfolio given the current market capitalisation of MEO of only \$7.5m.

Peter Stickland
Managing Director & Chief Executive Officer