

The Right Investment Strategy

MEO, Australia: An investment story from start to finish

MEO rig leaving Darwin.



Xtract Energy's investment in MEO Australia Ltd ("MEO") is an example of a successful implementation of the company's strategy of profiting from early stage energy sector projects with significant growth potential. This is done by nurturing the investee companies themselves and through the use of profits which such projects provide to fund other developments.

MEO is an Australian listed company that is focused on off-shore gas exploration and developing gas-to-liquids (GTL) projects in the Australian waters of the Timor Sea. Since first investing in MEO in July 2006 to help finance three-dimensional seismic acquisition over the Timor Sea prospects, Xtract Energy has seen MEO's share price oscillate significantly according to the fortunes of the company and market sentiment.

The gradual sale of the entire Company's holding, 80.6 million shares over the past three years at an average price of A\$0.47 per share, has generated a pre-tax profit of £9.59 million, representing a return of 124% on the initial investment and thereby demonstrating our ability to deliver superior returns from our portfolio management strategy and our ability to deliver a successful exit. Over the period sales were made at

a high of A\$1.39 per share in July 2007 to a low of A\$0.16 per share in June 2009.

Subsequent to the end of the financial period, the remaining 14.4 million of the Company's shares were sold at an average price of A\$0.49 per share.

Commenting on the Group's investment in MEO, Chief Executive Andy Morrison said, "MEO made some promising gas discoveries in the Timor Sea in 2008 but did not yet hit the 'home run' that we originally hoped for. Despite this, it has been a very successful investment for Xtract. The proceeds of the sales of MEO have provided us with working capital and the opportunity to offer development support to other investee companies."

Xtract's investment in MEO has left the Group in its current, promising position. We wish MEO well as it continues to develop its business.

	# shares sold during period	Shareholding at end of period	Average price per share sold, A\$	Profit (i.e. Capital Gain before CGT) GBP £	Return for the period, %	Cumulative return from day 1, %
Year ended 30 June 2008	21,460,000	59,147,814	1.0264	7,476,094	366.96%	96.85%
Year ended 30 June 2009	44,772,185	14,375,629	0.1999	(22,894)	(0.53%)	96.56%
Subsequent to 30 June 2009	14,375,629	–	0.4920	2,138,959	154.89%	124.27%
Day 1 to date	80,607,814	–	0.4720	9,592,158	124.27%	124.27%