MEO AUSTRALIA LIMITED

ABN 43 066 447 952

HALF-YEAR FINANCIAL REPORT AND DIRECTORS' REPORT

31 DECEMBER 2011

Contents

Corporate Information

Directors
Nicholas M Heath (Chairman)
Gregory A Short
Stephen W Hopley
Michael J F Sweeney
Jürgen Hendrich (Managing Director and Chief Executive Officer)

Company Secretary
Colin H Naylor

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Auditors
Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000 Australia

Securities Exchange Listing
ASX Limited
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Melbourne, Victoria 3000 Australia

MEO Australia Limited shares are listed on the Australian Securities Exchange (ASX).
ASX Code: MEO
OTC Code: MEOAY
Website www.meoaustralia.com.au

Incorporated 14 September 1994
Victoria, Australia

Directors' report

The Directors of MEO Australia Limited (variously the "Company" and "MEO Australia") submit their report for the half-year ended 31 December 2011.

DIRECTORS

The Directors of the Company during the half-year ended 31 December 2011 and until the date of this report (in office for the entire period unless otherwise stated) are:

Chairman: Nicholas M Heath B.Eng (Chem) (Hons)

***Non Executive Director*:** Gregory A Short B.Sc (Geology) (Hons)

***Non Executive Director*:** Stephen W Hopley PhC (Vic), DipFP (Deakin), GMQ (AGSM)

Non Executive Director: Michael J F Sweeney LLB, FIAMA, FCIArb, Chartered Arbitrator

Chief Executive Officer & Managing Director: Jürgen Hendrich B.Sc. (Geology) (Hons), PDM

REVIEW AND RESULTS OF OPERATIONS

The loss after tax of the Company for the half-year was $1,999,750 (Dec 2010: profit after tax was $18,071,737). The net loss was mainly due to administration costs ($1,199,373) and write-off of $991,886 (US$1.0 million) fee paid to Air Products upon terminating the Joint Development Agreement.

The net profit for the 2010 half year was mainly due to the gain on disposal of 50% interest in WA-360-P ($29,611,847) partly offset by exploration write-offs totalling $8,718,020.

North West Shelf Exploration Permits, Offshore Carnarvon Basin, Western Australia

- **WA-360-P (MEO 25% increasing to 62.5% post withdrawal of Petrobras and Moby)**

During the half year, MEO prepared and submitted an acreage renewal application to the Designated Authority. The renewal application contains a mandatory relinquishment of half of the permit area. Of the 15 graticular blocks comprising the permit, the application is for 8 of these to be renewed. Petrobras (50%) and Moby Oil and Gas (10%) both elected not to participate in the renewal process, leaving MEO (62.5% post renewal) and Cue (37.5% post renewal) to pick up their participating interests on a pro-rata basis. The renewal program includes the purchase of 3D seismic together with 3D seismic reprocessing during the primary term of the renewal period.

At the end of the reporting period, the permit renewal application was with the regulatory authorities for consideration. The dealings and title transfer documentation pertaining to the withdrawal of Petrobras and Moby together with the re-distribution of their participating interests to the remaining JV parties were also with the regulator awaiting approval.

- **WA-361-P (MEO 50%, Mineralogy 35%, Cue Energy 15%)**

The 1,318 km^2 Zeus multi-client 3D seismic survey was acquired during the half year. MEO has committed to purchasing 323 km^2 of this data set. At the date of this report the survey was in the processing centre. MEO expects to receive the final data cube during the June quarter.

Directors' report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Timor Sea, Bonaparte Basin

- **NT/P68 (MEO 50%, Eni Australia Ltd 50% & Operator)**

In the 6 months to 31st December 2011, Eni awarded a contract to ENSCO Australia Pty Limited for the provision of the ENSCO-109 jack-up drilling rig and associated services to drill Heron-3 during 2012. The rig is expected to be available to commence drilling late in the 2nd quarter with results expected during the 3rd quarter.

Eni also acquired the Bathurst 3D seismic survey over Blackwood East. Approximately 766 km^2 of 3D was acquired, compared with a minimum 500 km^2 commitment under the farm-in agreement. This 3D seismic program was originally envisaged to occur after the drilling of Heron-3. Eni has 365 days from the completion of acquisition, 5th January 2012, to elect whether or not to drill a well on Blackwood to fully earn its 50% interest in the Blackwood discovery.

Timor Sea, Vulcan Sub-Basin

- **AC/P50 & 51 (MEO 100%[1])**

These permits were purchased in late 2010 from Silverwave Energy. During the reporting period, MEO planned for the acquisition of 3D seismic over both permits and awarded a contract to CGGVeritas Services SA to acquire the 507 km^2 Zeppelin 3D survey. Acquisition commenced in late January 2012.

- **AC/P53 (MEO 100%)**

This permit was offered to MEO in June 2011 and officially awarded by the Government in early July 2011. It is contiguous with AC/P50 and AC/P51 permits thereby adding acreage to an already identified play fairway. During the reporting period, MEO planned for the acquisition of long-offset 2D seismic and awarded a contract to CGGVeritas Services SA to acquire the Zeppelin 2D seismic survey. The survey was acquired in January 2012.

Bonaparte Gulf, Petrel Sub-Basin

- **WA-454-P (MEO 100%)**

In June 2011, MEO was awarded 100% interest in WA-454-P. The permit contains the Marina-1 gas/liquids discovery in multiple horizons. Marina-1 was drilled by ExxonMobil and Drillsearch in 2007.

The proximity of the permit to the existing Blacktip gas development (Eni 100%) and to the proposed development of the Petrel, Tern and Frigate gas fields via Floating LNG technology, offers multiple development options for any material gas discovery.

During the half, MEO assimilated all available technical data and commenced an assessment of the Marina discovery and the prospective resources within the currently identified Breakwater prospect. This work yielded sufficient technical encouragement to apply for a variation in the Permit Year 1 work program by bringing forward the Permit Year 3 3D seismic acquisition program. MEO awarded a contract to CGGVeritas Services SA to acquire the 601 km^2 Floyd 3D survey, immediately following acquisition of the Zeppelin 3D survey over AC/P50 and AC/P51.

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[1] Silver Wave Energy has an option to acquire a 10% working interest in each permit. RedRock Energy Pte Ltd has an option to acquire a 5% carried interest in each permit. Please refer MEO ASX release of 15th November, 2010 for further details.

Directors' report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Indonesia

- **South Madura PSC (MEO 90%)**

In June 2011, MEO acquired all of the shares in South Madura Exploration Company (SMEC) which held a 30% interest in the South Madura PSC, Madura Island. Consideration for the acquisition was $479,617 (US$500,000). In late July, AED (60%) sought and became the Operator. In mid-August, an administrator was appointed to AED. In November, the AED interest was purchased by Subaru Limited and in December was on sold to MEO for US$300,000.

- **Seruway PSC (MEO 100%)**

In June 2011, MEO acquired all of the shares in Transworld Seruway Exploration Limited (TSEL) which held a 100% interest in the Seruway PSC, offshore North Sumatra, from Transworld Exploration Limited (TEL). As part of the transaction, MEO acquired an office in Jakarta staffed by a small dedicated team. Consideration for acquisition was $4,796,165 (US$5,000,000) cash and a commitment to acquire a 3D seismic survey and drill one exploration well prior to the end of 2012. In the event of successful oil or gas development from the PSC, the acquisition arrangements provide for past cost recovery and net profit interest payments to TEL to be paid out of production revenue.

During the half, a contract for the acquisition of the 3D survey was awarded to PT PGS Nusantara ("PGS"). The 708 km^2 survey commenced in December and was completed in early January. The final processed volume is expected early in the 2nd quarter and will be used to define a well location for the 2012 commitment well. Planning for drilling the well commenced during the half as did discussions with drilling rig operators.

Tassie Shoal Development Projects

MEO has Commonwealth environmental approvals to construct, install and operate an LNG plant known as the Timor Sea LNG Project (TSLNGP) and two methanol plants collectively referred to as the Tassie Shoal Methanol Project (TSMP) on Tassie Shoal, an area of shallow water in the Australian waters of the Timor Sea approximately 275 km north-west of Darwin, Northern Territory. The Shoal is strategically located within 150 km of several undeveloped gas fields in the region. The Tassie Shoal projects can cater for a range of gas qualities and are designed to share infrastructure and logistic support systems and benefit from a number of production process synergies. The environmental approvals are valid until May 2052.

Tassie Shoal Methanol Project (TSMP, MEO 100%)

MEO proposes the staged construction of two large natural gas reforming and methanol production plants, each with an annual production capacity of 1.75 million tonnes on its own concrete gravity structure (CGS). Each completed plant will be towed to Tassie Shoal and grounded for operation using sea water as ballast. Each plant requires approximately 1.4 Tcf of raw gas, ideally containing around 25% CO2.

The TSMP was developed with a view to commercialise the nearby Evans Shoal gas discovery containing around 28% CO^2. During the reporting period, the Operator of NT/P48 containing the Evans Shoal discovery sold its 40% interest to Eni Australia Limited for US$250 million cash and US$100 million in deferred consideration. Eni in turn on-sold a 7.5% participating interest to Shell who also assumed the role of Operator.

In December, MEO and Air Products terminated their Joint Development Agreement ("JDA") which had been suspended since 2006 pending resolution of a gas supply. MEO paid Air Products a US$1 million termination fee and agreed to additional contingent payments capped at US$6 million arising out of any future sale of an interest in the TSMP. This transaction provides MEO with a 100% unencumbered interest in the project.

Directors' report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Timor Sea LNG Project (TSLNGP, MEO 100%)

The TSLNGP requires approximately 3 Tcf of low CO2 (<3%) gas to operate for 20 years. Gas supply for the LNG plant could come from MEO's own Heron gas discovery subject to successful appraisal drilling or alternatively one or more of the neighbouring undeveloped gas fields which are facing economic challenges imposed by long distances from land and high domestic construction costs. The key competitive advantages of the TSLNGP include its substantial capital cost savings over a comparable sized FLNG facility coupled with existing environmental approvals.

OTHER MATTERS

Share Options

During the half year, 13,755,000 share options were granted to directors, executives and staff. Details are as follows:-

Non-executive directors

Following approval by shareholders at the 2011 Annual General Meeting, 900,000 share options were granted to the Chairman – Mr Nicholas Heath and 900,000 share options were granted to each non-executive director – Mr Michael Sweeney, Mr Greg Short and Mr Stephen Hopley. The options are exercisable at a price of $0.50 per option on or before 27 October 2015. The options vest 1/3rd on 27 October 2012, 1/3rd on 27 October 2013 and 1/3rd on 27 October 2014.

Managing director and Chief Executive Officer

Following approval by shareholders at the 2011 Annual General Meeting, 3,000,000 share options were granted to the Managing Director and Chief Executive Officer – Mr Jürgen Hendrich. The options are exercisable at a price of $0.50 per option on or before 1 July 2016. The options vest 1/3rd on 1 July 2012, 1/3rd on 1 July 2013 and 1/3rd on 1 July 2014.

Executives and staff

7,155,000 share options were granted to the executives and staff. The options are exercisable at a price of $0.50, with 50% of the options vesting 12 months after grant date and 50% vesting 24 months after grant date.

Auditor's Independence Declaration

The Company has obtained an independence declaration from our auditor, Ernst & Young, a copy of which is attached to this financial report.

Signed in accordance with a resolution of the Directors.

Jürgen Hendrich
Managing Director & Chief Executive Officer
Melbourne, 16th February 2012

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Auditor's Independence Declaration to the Directors of MEO Australia Limited

In relation to our review of the half year financial report of MEO Australia Limited for the half-year ended 31 December 2011, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

Matthew A Honey
Partner
16 February 2012

Statement of comprehensive income
For the half-year ended 31 December 2011

	Notes	Consolidated	
		31/12/2011	**31/12/2010**
		$	**$**
Interest income		1,953,308	1,215,103
Gain on disposal of 50% interest in WA-360-P		-	29,611,847
Total income		**1,953,308**	**30,826,950**
Net administration costs	4	(3,915,577)	(2,716,204)
Exploration expenditure written-off		(10,503)	(8,718,020)
Project expenditure		(991,866)	(18,204)
Share of losses of an associate		(315,000)	-
Foreign exchange gains (losses)		1,400,984	(994,407)
(Loss)/profit before income tax		**(1,878,654)**	**18,380,115**
Income tax expense		(121,096)	(308,378)
Net (loss)/profit for the period		**(1,999,750)**	**18,071,737**
Other comprehensive income			
Exchange differences on translation of foreign operations		30,554	-
Net fair value loss on available-for-sale financial assets		(52,445)	-
Income tax on items of other comprehensive income		15,734	-
Other comprehensive loss for the period, net of tax		**(6,157)**	**-**
Total comprehensive income/(loss) for the period		**(2,005,907)**	**18,071,737**
Basic (loss)/ earnings per share (cents per share)		(0.37)	3.71
Diluted (loss)/ earnings per share (cents per share)		(0.37)	3.71

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Statement of financial position
As at 31 December 2011

	Note	**Consolidated** **31/12/2011**	**30/06/2011**
CURRENT ASSETS		**$**	**$**
Cash and cash equivalents	5	83,750,651	90,253,634
Other receivables		2,176,708	1,456,184
TOTAL CURRENT ASSETS		85,927,359	91,709,818
NON-CURRENT ASSETS			
Property, plant and equipment		1,197,117	252,870
Intangible assets		797,548	295,917
Exploration and evaluation costs	6	126,515,340	118,677,023
Available for sale financial assets		716,162	755,207
TOTAL NON-CURRENT ASSETS		129,226,167	119,981,017
TOTAL ASSETS		**215,153,526**	**211,690,835**
CURRENT LIABILITIES			
Trade and other payables		6,498,707	1,568,530
Provisions		104,144	95,401
TOTAL CURRENT LIABILITIES		6,602,851	1,663,931
NON-CURRENT LIABILITIES			
Provisions		146,744	90,774
TOTAL NON-CURRENT LIABILITIES		146,744	90,774
TOTAL LIABILITIES		**6,749,595**	**1,754,705**
NET ASSETS		**208,403,931**	**209,936,130**
EQUITY			
Contributed equity	7	240,755,697	240,650,334
Reserves		919,439	1,557,151
Accumulated losses		(33,271,205)	(32,271,355)
TOTAL EQUITY		**208,403,931**	**209,936,130**

The above statement of financial position should be read in conjunction with the accompanying notes.

Statement of cash flows
For the half-year ended 31 December 2011

	Consolidated	
	31/12/2011	**31/12/2010**
CASH FLOWS FROM OPERATING ACTIVITIES	**$**	**$**
Payments to suppliers and employees	(4,847,737)	(2,499,878)
Cost recovery from joint venture partners	246,004	440,824
Interest received	1,944,070	960,352
Net cash (used in) operating activities	**(2,657,663)**	**(1,098,702)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on property, plant and equipment	(1,022,124)	(132,757)
Expenditure on intangible assets	(611,087)	-
Investment in associate	(315,000)	-
Purchase of available for sale financial assets	(620,955)	-
Expenditure on exploration tenements	(2,677,138)	(7,121,068)
Proceeds from sale of 50% interest in WA-360-P	-	39,406,597
Net cash from (used in) investing activities	**(5,246,304)**	**32,152,772**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	-	32,599,999
Proceeds from sale of trustee shares	-	3,441,792
Transaction costs on issue of shares	-	(1,752,357)
Net cash from financing activities	**-**	**34,289,434**
Net (decrease) increase in cash and cash equivalents	**(7,903,967)**	**65,343,504**
Cash and cash equivalents at beginning of period	**90,253,634**	**35,989,225**
Net foreign exchange differences	1,400,984	(994,407)
Cash and cash equivalents at end of period	**83,750,651**	**100,338,322**

The above statement of cash flows should be read in conjunction with the accompanying notes.

Statement of changes in equity
For the half-year ended 31 December 2011

	Consolidated					
	Issued capital $	Share based payments reserve $	Foreign Currency Translation Reserve $	Net unrealised gains reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2011	**240,650,334**	**1,520,440**	**-**	**36,711**	**(32,271,355)**	**209,936,130**
Net (loss) for the period	-	-	-	-	(1,999,750)	(1,999,750)
Other comprehensive income/(loss)	-	-	30,554	(36,711)	-	(6,157)
Total comprehensive (loss) for the year	**-**	**-**	**30,554**	**(36,711)**	**(1,999,750)**	**(2,005,907)**
Transactions with owners in their capacity as owners:						
Cost of share based payments	-	368,345	-	-	-	368,345
Costs of issues (net of tax)	105,363	-	-	-	-	105,363
Transfer of equity instruments expired unvested	-	(999,900)	-	-	999,900	-
At 31 December 2011	**240,755,697**	**888,885**	**30,554**	**-**	**(33,271,205)**	**208,403,931**

	Consolidated					
	Issued capital $	Share based payments reserve $	Foreign Currency Translation Reserve $	Net unrealised gains reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2010	**205,849,286**	**1,129,424**	**-**	**-**	**(46,320,465)**	**160,658,245**
Net profit for the period	-	-	-	-	18,071,737	18,071,737
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**18,071,737**	**18,071,737**
Transactions with owners in their capacity as owners:						
Cost of share based payments	-	309,560	-	-	-	309,560
Shares sold by Trustee of Trustee Share Scheme	3,441,792	-	-	-	-	3,441,792
Share issues	32,599,999	-	-	-	-	32,599,999
Costs of issues (net of tax)	(1,443,979)	-	-	-	-	(1,443,979)
At 31 December 2010	**240,447,098**	**1,438,984**	**-**	**-**	**(28,248,728)**	**213,637,354**

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the financial statements
For the half-year ended 31 December 2011

NOTE 1 CORPORATE INFORMATION

The financial report of MEO Australia Limited for the half-year ended 31 December 2011 was authorised for issue in accordance with a resolution of the directors on 16th February 2012.

MEO Australia Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The nature of operations and principal operating segments of the Group are described in note 3.

NOTE 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

This general purpose financial report for the half-year ended 31 December 2011 has been prepared in accordance with AASB 134 "Interim Financial Reporting" and the Corporations Act 2001.

The half-year financial report does not include all notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2011 and considered together with any public announcements made by MEO Australia Limited and its controlled entities during the half-year ended 31 December 2011 in accordance with the continuous disclosure obligations of the ASX listing rules.

The following amending Standards have been adopted from 1 July 2011. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

•AASB 124 Related Party Disclosures (December 2009) - simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition.

• Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 & Interpretation 13]

Australian Accounting Standards and Interpretations that have been recently been issued or amended but not yet effective, have not been adopted by the Group for the reporting period ending 31 December 2011.

Other accounting policies and methods of computation remain the same as those adopted and disclosed in the most recent annual financial report.

Notes to the financial statements
For the half-year ended 31 December 2011 (continued)

NOTE 3 SEGMENT INFORMATION

The Group's reportable segments are confined to development of methanol and LNG projects and petroleum exploration. The following tables represent revenue and profit information regarding operating segments for the half-years ended 31 December 2011 and 31 December 2010. The accounting policies adopted by each segment are similar to the Group's accounting policies.

OPERATING SEGMENTS	METHANOL & LNG DEVELOPMENT		PETROLEUM EXPLORATION		CONSOLIDATED	
	31/12/2011 $	31/12/2010 $	31/12/2011 $	31/12/2010 $	31/12/2011 $	31/12/2010 $
Income:						
Segment income	-	-	-	29,611,847	-	29,611,847
Non-segment income					1,953,308	1,215,103
Total consolidated income					1,953,308	30,826,950
Result:						
Segment profit/(loss)	(991,866)	(18,204)	(10,503)	20,893,827	(1,002,369)	20,875,623
Interest income					1,953,308	1,215,103
Non-segment expenses:						
Net administration costs					(3,915,577)	(2,716,204)
Share of losses of an associate					(315,000)	-
Foreign exchange gains /(losses)					1,400,984	(994,407)
(Loss)/profit before income tax expense					(1,878,654)	18,380,115
Income tax expense					(121,096)	(308,378)
Net (loss)/profit for the period					(1,999,750)	18,071,737

The segment assets at 31 December 2011 for Petroleum Exploration total $126,515,340 (30 June 2011: $118,677,023) and there are no segment assets for Methanol and LNG Development at 31 December 2011 and 30 June 2011.

NOTE 4 ADMINISTRATION EXPENSES

	Consolidated 31/12/2011 $	Consolidated 31/12/2010 $
Consultants fees and expenses	860,957	638,213
Directors remuneration	155,325	138,430
Salaries	1,775,721	886,856
Share based payments	368,345	309,560
Administration and other expenses	454,845	242,935
Audit review costs	37,185	32,200
Securities exchange, share registry and reporting costs	138,101	167,401
Operating lease expenses	205,973	107,681
Travel and corporate promotion costs	400,844	296,792
Depreciation and amortisation expense	220,658	52,828
Gross administration costs	4,617,954	2,872,896
Less allocation to exploration activities	(702,377)	(156,692)
Net administration costs	3,915,577	2,716,204

Notes to the financial statements
For the half-year ended 31 December 2011 (continued)

	Consolidated	
	31/12/2011	**30/6/2011**
	$	**$**
NOTE 5 CASH AND CASH EQUIVALENTS		

For the purpose of the half-year cash flow statement cash and cash equivalents comprise:

Cash at bank	5,217,554	160,050
Short term bank deposits	78,533,097	90,093,584
Total cash and cash equivalents	83,750,651	90,253,634

NOTE 6 CAPITALISED EXPLORATION AND EVALUATION COSTS

Exploration and evaluation costs are accumulated separately for each area of interest and carried forward provided that one of the following conditions is met:

- such costs are expected to be recouped through successful development or sale; or
- exploration activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in relation to the area are continuing.

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from the capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 31 December 2011 exploration activities in each area of interest, where costs are carried forward, have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. Active and significant operations in relation to each area of interest are continuing and nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. The Directors are continually monitoring the areas of interest and are exploring alternatives for funding the development of areas of interest when economically recoverable reserves are confirmed. If new information becomes available that suggests the recovery of expenditure is unlikely, the amounts capitalised will need to be reassessed at that time.

Capitalised exploration and evaluation costs at 31 December 2011 are $126,515,340 (June 2011: $118,677,023) which relate to NT/P68, AC/P50, AC/P51, AC/P53, WA-454-P, WA-361-P, Seruway PSC and South Madura PSC.

NOTE 7 CONTRIBUTED EQUITY

	31/12/2011	**30/6/2011**	**31/12/2011**	**30/6/2011**
	Shares	**Shares**	**$**	**$**
Issued and Paid Up Capital				
Ordinary shares fully paid	539,913,260	539,913,260	240,755,697	240,650,334

Dividends

No dividends were declared or paid during the half-year (Dec 2010: Nil).

Notes to the financial statements
For the half-year ended 31 December 2011 (continued)

NOTE 8 SHARE BASED PAYMENT PLANS

- In July 2011, 500,000 share options were granted to a contractor exercisable at a price of 50 cents per option on or before 1 July 2016. These options vest 50% on 1 July 2012 and 50% on 1 July 2013.

  The fair value of the options at date of grant was estimated to be 7.12 cents for the options vesting on 1 July 2012 and 8.10 cents for options vesting on 1 July 2013. The fair value was determined using a Binomial pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

Expected volatility	94%	Contractual life (years)	5
Risk-free interest rate	4.8%	Dividend yield	0%

  Early exercise multiple/estimated life for options expiring 1 July 2012 – 3.0 years
  Early exercise multiple/estimated life for options expiring 1 July 2013 – 3.5 years

  The total amount expensed in the half year relating to these share options was $13,963.

- In October 2011, 2,075,000 share options were granted to executives exercisable at a price of 50 cents per option on or before 3 October 2016. These options vest 50% on 3 October 2012 and 50% on 3 October 2013.

  The fair value of the options at date of grant was estimated to be 5.83 cents for the options vesting on 3 October 2012 and 6.68 cents for options vesting on 3 October 2013. The fair value was determined using a Binomial pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

Expected volatility	94%	Contractual life (years)	5
Risk-free interest rate	3.5%	Dividend yield	0%

  Early exercise multiple/estimated life for options expiring 3 October 2012 – 3.0 years
  Early exercise multiple/estimated life for options expiring 3 October 2013 – 3.5 years

  The total amount expensed in the half year relating to these share options was $23,785.

- In October 2011, 3,600,000 share options were granted to non-executive directors exercisable at a price of 50 cents per option on or before 27 October 2015. The options vest 1/3rd on 27 October 2012, 1/3rd on 27 October 2013 and 1/3rd on 27 October 2014.

  The fair value of the options at date of grant was estimated to be 5.99 cents for the options vesting on 27 October 2012, 7.03 cents for the options vesting on 27 October 2013 and 8.0 cents for options vesting on 27 October 2014. The fair value was determined using a Binomial pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

Expected volatility	94%	Contractual life (years)	4
Risk-free interest rate	4.0%	Dividend yield	0%

  Early exercise multiple/estimated life for options expiring 27 October 2012 – 2.5 years
  Early exercise multiple/estimated life for options expiring 27 October 2013 – 3.0 years
  Early exercise multiple/estimated life for options expiring 27 October 2014 – 3.5 years

  The total amount expensed in the half year relating to these share options was $24,343.

Notes to the financial statements
For the half-year ended 31 December 2011 (continued)

NOTE 8 SHARE BASED PAYMENT PLANS (continued)

- In October 2011, 3,000,000 share options were granted to the managing director and chief executive officer exercisable at a price of 50 cents per option on or before 1 July 2016. The options vest 1/3rd on 1 July 2012, 1/3rd on 1 July 2013 and 1/3rd on 1 July 2014.

  The fair value of the options at date of grant was estimated to be 7.12 cents for the options vesting on 1 July 2012, 8.10 cents for the options vesting on 1 July 2013 and 9.0 cents for options vesting on 1 July 2014. The fair value was determined using a Binomial pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

Expected volatility	94%	Contractual life (years)	5
Risk-free interest rate	4.8%	Dividend yield	0%

  Early exercise multiple/estimated life for options expiring 1 July 2012 – 3.0 years
  Early exercise multiple/estimated life for options expiring 1 July 2013 – 3.5 years
  Early exercise multiple/estimated life for options expiring 1 July 2014 – 4.0 years

  The total amount expensed in the half year relating to these share options was $70,850.

- In December 2011, 4,580,000 share options were granted to executives and staff exercisable at a price of 50 cents per option on or before 1 December 2016. These options vest 50% on 1 December 2012 and 50% on 1 December 2013.

  The fair value of the options at date of grant was estimated to be 7.54 cents for the options vesting on 1 December 2012 and 8.58 cents for options vesting on 1 December 2013. The fair value was determined using a Binomial pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

Expected volatility	94%	Contractual life (years)	5
Risk-free interest rate	3.3%	Dividend yield	0%

  Early exercise multiple/estimated life for options expiring 1 December 2012 – 3.0 years
  Early exercise multiple/estimated life for options expiring 1 December 2013 – 3.5 years

  The total amount expensed in the half year relating to these share options was $22,576.

NOTE 9 COMMITMENTS

There have been no material changes to commitments since the annual financial statements that were issued for the year ended 30 June 2011.

NOTE 10 EVENTS AFTER BALANCE DATE

There were no significant matters that arose subsequent to 31 December 2011 and up until the date of this report.

Directors' declaration

In accordance with a resolution of the directors of MEO Australia Limited, I state that:

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity are in accordance with the *Corporations Act 2001,* including:

   (i) Giving a true and fair view of the financial position as at 31 December 2011 and the performance for the half-year ended on that date of the consolidated entity; and

   (ii) Complying with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and

(b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

On behalf of the Board.

Jürgen Hendrich
Managing Director & Chief Executive Officer
Melbourne, 16th February 2012

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To the members of MEO Australia Limited

Report on the Half-year Financial Report

We have reviewed the accompanying half-year financial report of MEO Australia Limited, which comprises the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001* . As the auditor of MEO Australia Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report. We confirm that the Auditor's Independence Declaration would be in the same terms if given to the directors as at the time of this auditor's report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MEO Australia Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date; and

b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Matthew A Honey
Partner
Melbourne
16 February 2012