MEO AUSTRALIA LIMITED

ABN 43 066 447 952

MEOAustralia
energy for the future

HALF-YEAR FINANCIAL REPORT AND DIRECTORS' REPORT

31 DECEMBER 2012

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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MEO Australia Limited shares are listed on the Australian Securities Exchange (ASX).
ASX Code: MEO
OTCQX 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 2012.

DIRECTORS

The Directors of the Company during the half-year ended 31 December 2012 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 $58,307,651 (Dec 2011: loss after tax was $1,999,750). The net loss was mainly due to exploration write-off ($53,883,926) and net administration costs ($4,483,814).

The net loss after tax for the 2011 half year of $1,999,750 was mainly due to net administration costs ($3,915,577) and write-off of $991,866 (US$1.0 million) fee paid to Air Products upon terminating the Joint Development Agreement.

North West Shelf Exploration Permits, Carnarvon Basin, Western Australia

- **WA-360-P (MEO 62.5%)**

During the half year, interpretation of the Foxhound 3D seismic data progressed. The primary target identified is the Maxwell prospect. Ananke-1 was drilled in the adjacent permit targeting a similar play concept to Maxwell and did not intersect hydrocarbons. The results of Ananke-1 well will be incorporated once publicly available.

- **WA-361-P (MEO 50%)**

The processed data from the 323 km^2 Zeus multi-client 3D survey licenced by the Joint Venture became available immediately prior to the half year. Interpretation commenced with the primary target being the Heracles lead on the flank of the Perseus gas field.

Petrel Sub-Basin

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

During the half, MEO took delivery of the final processed Floyd 3D data which confirmed the validity of the Marina gas and probable oil discovery and the nearby Breakwater prospect. A farmout/partial sale process aimed at securing a funding partner was initiated in November.

Directors' report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

- **NT/P79 (MEO 65%)**

In December, a binding farm-in agreement was executed with Finder Exploration whereby MEO acquired a 65% interest in the permit and assumed the role of Operator. The permit is currently in its 4th year with a discretionary well due in the final (6th) year. During 2012, Geoscience Australia acquired 2D data which became available in January 2013. MEO will interpret this data to determine whether a drillable prospect can be identified and farmed out prior to entering Permit Year 6.

Bonaparte Basin

- **NT/P68 (MEO 50%)**

Heron South-1 was spudded on 24th August and reached a target depth of 4,454m MDRT (Measured Depth below Rotary Table). Two gross gas bearing intervals of approximately 120m and 115m thickness were intersected, separated by approximately 130m shale and silt. Both zones were production tested and flowed gas to surface at rates too small to measure accurately. The lower zone was tested through a 4½" slotted liner installed after the planned 7" cemented liner did not reach total depth. The upper zone was tested through a perforated 7" cemented liner. Following testing, the well was plugged and abandoned with the rig released on 14th December. The Operator (Eni) is earning a 50% interest in the Heron gas discovery by drilling two wells and had 60 days from the conclusion of the well to elect whether to continue the farm-in by committing to drill a second well or withdraw from the Heron area of the permit.

Subsequent to 31st December, Eni provided a notice under the NT/P68 Farm-in Agreement that it will proceed with the drilling of a well in the Blackwood area of the permit. On 4th March 2013, MEO agreed to extend the second Heron well election deadline to 22nd March 2013.

Vulcan Sub-Basin

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

Processing of the Zeppelin 3D seismic data acquired early in 2012 continued through the half with final products delivered in January 2013. Interpretation of the fast-track data revealed several low-side fault traps with elements of independent and fault-dependent closures.

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

Commencement of processing the Zeppelin 2D seismic data acquired early in 2012 was imminent at the end of the period, once the Zeppelin 3D processing was completed.

Indonesia

- **South Madura Production Sharing Contract (PSC) (MEO 90%)**

A work program variation was submitted to the regulator during the half year together with a claim seeking compensation for non-productive time during the tenure of the PSC. Any further investment is predicated on an acceptable outcome in relation to tenure.

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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)

- **Seruway Production Sharing Contract (PSC) (MEO 100%)**

Gurame SE-1X was spudded on 23rd September and reached a total depth of 3,145m MDRT. Operational difficulties within the Baong shale overlying the Baong sands required re-drilling the shale in a side-tracked well (Gurame SE-1XST). The Baong sands were interpreted to be gas bearing and were cased off prior to drilling ahead towards the lower objectives. Extensive mud losses were incurred in the interpreted upper part of the Belumai sands which precluded drilling ahead safely to fully evaluate the Belumai sands and deeper Belumai carbonates. A production test was conducted on the Baong sands with no flow to surface recorded. Following testing, the well was plugged and abandoned with the rig released on 22nd December.

Work continued on the Ibu Horst 3D seismic to develop an inventory of drillable prospects for consideration as potential 2013 drilling candidates. A farm-out/partial sale process is scheduled to commence in early March 2013.

Thailand

- **G2/48 Concession (MEO 50%)**

During the half year, Operator Pearl Oil Offshore Limited "Pearl" drilled Anchan-1 at its sole expense to meet the outstanding Year 5 commitment. The well did not encounter any hydrocarbons. Immediately following Anchan-1, Sainampueng-1X was drilled from the same surface location and reached a total depth (TD) of 2,323mMDRT. Significant mud losses resulted in cessation of drilling, significantly short of the planned TD. No hydrocarbons were intersected in the drilled interval however a significant prospective section remains untested. The well was plugged and abandoned with the rig released on 9th December.

A permit renewal application for an additional 3 years was previously submitted and is awaiting regulatory approval. The work program includes a well in the 2nd renewal year (2014) with a drill/drop option prior to entering the permit year.

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 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%)

Subject to securing appropriate gas supply, 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.

Following the receipt of expressions of interest for 8.3 Mta methanol in April 2012, discussions with potential customers continued during the half aimed at maturing these towards the next stage. In parallel, discussions continued with prospective financial partners, customers and gas suppliers to establish a commercial framework for the Tassie Shoal Projects by exploring the pre-sale of methanol and participation in the midstream and upstream components of the projects.

A full review of capital and operating costs was also completed using leading engineering firms. The review re-affirmed the economic fundamentals of the project and its suitability for processing high CO_2 gas.

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 one or more of the neighbouring undeveloped gas fields confronting economic challenges imposed by long distances from land and high domestic construction costs.

During the half, technology, capital and operating cost reviews were completed by leading engineering firms. The reviews confirmed the TSLNGP has US$2-$4 billion capital cost advantage over a comparable sized land based and FLNG facility respectively.

OTHER MATTERS

Share Issues

During the half-year the Company raised a total of $19,307,000 (before transaction costs of $464,913) from the placement of 40,816,327 shares at $0.245 per share and 46,535,000 shares at $0.20 per share from the Share Purchase Plan.

Share Performance Rights

Following approval by shareholders at the 2012 Annual General Meeting, 1,050,000 share performance rights were granted to the Managing Director and Chief Executive Officer – Mr Jürgen Hendrich. Shares will be issued 1/3rd on 1 July 2013, 1/3rd on 1 July 2014 and 1/3rd on 1 July 2015 on the condition that the Volume Weighted Average MEO Share Price in 2012/2013 is $0.50 for 30 continuous days, $0.75 in 2013/2014 for 30 continuous days and $1.00 in 2014/2015 financial years for 30 continuous days.

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

Jürgen Hendrich
Managing Director & Chief Executive Officer
Melbourne, 7th March 2013

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

In relation to our review of the financial report of MEO Australia Ltd for the half-year ended 31 December 2012, 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
7 March 2013

Consolidated statement of comprehensive income
For the half-year ended 31 December 2012

	Notes	Consolidated	
		31/12/2012	**31/12/2011**
		$	**$**
Interest income		758,087	1,953,308
Total income		**758,087**	**1,953,308**
Net administration costs	4	(4,483,814)	(3,915,577)
Exploration expenditure written-off	6	(53,883,926)	(10,503)
Project expenditure		(264,135)	(991,866)
Share of losses of an associate		-	(315,000)
Foreign exchange gains/(losses)		(304,305)	1,400,984
Loss before income tax		**(58,178,093)**	**(1,878,654)**
Income tax expense		(129,558)	(121,096)
Net loss for the period		**(58,307,651)**	**(1,999,750)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		566,633	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 income/(loss) for the period, net of tax		**566,633**	**(6,157)**
Total comprehensive loss for the period		**(57,741,018)**	**(2,005,907)**
Basic (loss)/ earnings per share (cents per share)		(10.28)	(0.37)
Diluted (loss)/ earnings per share (cents per share)		(10.28)	(0.37)

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

Consolidated statement of financial position
As at 31 December 2012

		Consolidated	
	Note	**31/12/2012**	**30/06/2012**
CURRENT ASSETS		**$**	**$**
Cash and cash equivalents	5	42,381,217	55,331,011
Other receivables		480,393	1,249,363
TOTAL CURRENT ASSETS		42,861,610	56,580,374
NON-CURRENT ASSETS			
Property, plant and equipment		1,309,281	1,469,809
Intangible assets		635,012	747,755
Exploration and evaluation costs	6	145,757,812	150,329,325
TOTAL NON-CURRENT ASSETS		147,702,105	152,546,889
TOTAL ASSETS		**190,563,715**	**209,127,263**
CURRENT LIABILITIES			
Trade and other payables	7	22,830,186	3,128,050
Provisions		202,705	177,009
TOTAL CURRENT LIABILITIES		23,032,891	3,305,059
NON-CURRENT LIABILITIES			
Provisions		264,647	200,360
TOTAL NON-CURRENT LIABILITIES		264,647	200,360
TOTAL LIABILITIES		**23,297,538**	**3,505,419**
NET ASSETS		**167,266,177**	**205,621,844**
EQUITY			
Contributed equity	8	259,832,705	240,861,060
Reserves		2,386,511	1,406,172
Accumulated losses		(94,953,039)	(36,645,388)
TOTAL EQUITY		**167,266,177**	**205,621,844**

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

Consolidated statement of cash flows
For the half-year ended 31 December 2012

	Consolidated	
	31/12/2012	**31/12/2011**
CASH FLOWS FROM OPERATING ACTIVITIES	**$**	**$**
Payments to suppliers and employees	(3,692,785)	(4,847,737)
Cost recovery from joint venture partners	42,843	246,004
Interest received	977,706	1,944,070
Net cash (used in) operating activities	**(2,672,236)**	**(2,657,663)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on property, plant and equipment	(123,495)	(1,022,124)
Expenditure on intangible assets	(35,724)	(611,087)
Investment in associate	-	(315,000)
Purchase of available for sale financial assets	-	(620,955)
Expenditure on exploration tenements	(28,656,121)	(2,677,138)
Net cash from (used in) investing activities	**(28,815,340)**	**(5,246,304)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	19,307,000	-
Transaction costs on issue of shares	(464,913)	-
Net cash from financing activities	**18,842,087**	**-**
Net (decrease) in cash and cash equivalents	**(12,645,489)**	**(7,903,967)**
Cash and cash equivalents at beginning of period	**55,331,011**	**90,253,634**
Net foreign exchange differences	(304,305)	1,400,984
Cash and cash equivalents at end of period	**42,381,217**	**83,750,651**

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

Consolidated statement of changes in equity
For the half-year ended 31 December 2012

	Consolidated					
	Issued capital $	**Share based payments reserve $**	**Foreign Currency Translation Reserve $**	**Net unrealised gains reserve $**	**Accumulated losses $**	**Total equity $**
Balance at 1 July 2012	**240,861,060**	**1,054,775**	**351,397**	**-**	**(36,645,388)**	**205,621,844**
Net (loss) for the period	-	-	-	-	(58,307,651)	(58,307,651)
Other comprehensive income/(loss)	-	-	566,633	-	-	566,633
Total comprehensive (loss) for the year	**-**	**-**	**566,633**	**-**	**(58,307,651)**	**(57,741,018)**
Transactions with owners in their capacity as owners:						
Cost of share based payments	-	413,706	-	-	-	413,706
Share issues	19,307,000	-	-	-	-	19,307,000
Costs of issues (net of tax)	(335,355)	-	-	-	-	(335,355)
At 31 December 2012	**259,832,705**	**1,468,481**	**918,030**	**-**	**(94,953,039)**	**167,266,177**

	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**

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 2012

NOTE 1 CORPORATE INFORMATION

The financial report of MEO Australia Limited ("MEO Australia", or the "Company") for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 7th March 2013.

MEO Australia Limited is a "for profit" 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 interim condensed financial report for the half-year ended 31 December 2012 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 2012 and considered together with any public announcements made by MEO Australia Limited and its controlled entities during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations of the ASX listing rules.

The Group has adopted AASB 2011-9 amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income effective 1 July 2012 which did not have a significant impact on the financial statements or performance of the Group.

The Group did not adopt any other new and/or revised Standards, Amendments and Interpretations from 1 July 2012 which had an effect on the financial position or performance of the Group.

The Group has not elected to early adopt any other new Standards, Amendments and Interpretations that are issued but are not yet effective.

Other accounting policies, methods of computation and areas of critical accounting judgments, estimates and assumptions remain the same as those adopted and disclosed in the most recent annual financial report.

Going concern

The Group is involved in the exploration and evaluation of oil and gas tenements. Further expenditure will be required on these tenements to ascertain whether they contain economically recoverable reserves.

As at 31 December 2012 the Group had cash reserves of $42,381,297 with short term liabilities of $22,830,186. The balance of these cash reserves may not be sufficient to meet the Group's planned expenditure exploration activities for the next 12 months from the date of this report. In order to fully implement its planned exploration strategy the Group will require either additional funds and/or defray the exploration expenditures via farm-out.

The interim financial report has been prepared on a going concern basis which contemplates the continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

Notes to the financial statements
For the half-year ended 31 December 2012 (continued)

NOTE 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont)

To continue as a going concern the Group will fund the planned exploration activities by using its existing cash reserves and to undertake:

- an equity raising, and/or
- the successful completion of a farm out or sale of participating interests in the Group's tenements (thereby reducing MEO's commitment to planned activities), and/or
- initiate a substantially reduced exploration program, and/or
- initiate a cost reduction program.

Having carefully assessed the potential uncertainties relating to the likelihood of securing additional funding, the Group's ability to effectively minimise exploration and operating expenditures and the opportunity to farm out participating interests in existing permits, the Directors believe that the Group will continue to operate as a going concern for the foreseeable future. Therefore, the Directors consider it appropriate to prepare the financial statements on a going concern basis.

In the event that the assumptions underpinning the basis of preparation do not occur as anticipated, the Group will be required to implement the above steps as necessary to continue to operate as a going concern.

No adjustments have been made to the financial report relating to the recoverability and classification of the asset carrying amounts or the classification of liabilities that might be necessary should the Group not continue as a going concern, particularly the carrying value of capitalised exploration and evaluation costs.

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/(loss) information regarding operating segments for the half-years ended 31 December 2012 and 31 December 2011.

OPERATING SEGMENTS	**METHANOL & LNG DEVELOPMENT**		**PETROLEUM EXPLORATION**		**CONSOLIDATED**	
	31/12/2012	**31/12/2011**	**31/12/2012**	**31/12/2011**	**31/12/2012**	**31/12/2011**
	$	**$**	**$**	**$**	**$**	**$**
Income:						
Segment income	-	-	-	-	-	-
Interest and other income					758,087	1,953,308
Total consolidated income					**758,087**	**1,953,308**
Result:						
Segment (loss)	(264,135)	(991,866)	(53,883,926)	(10,503)	(54,148,061)	(1,002,369)
Non-segment revenue/(expenses):						
-Interest income					758,087	1,953,308
-Net administration costs					(4,483,814)	(3,915,577)
Share of losses of an associate					-	(315,000)
Foreign exchange gains /(losses)					(304,305)	1,400,984
(Loss) before income tax expense					(58,178,093)	(1,878,654)
Income tax expense					(129,558)	(121,096)
Net (loss) for the period					**(58,307,651)**	**(1,999,750)**

Notes to the financial statements
For the half-year ended 31 December 2012 (continued)

NOTE 3 SEGMENT INFORMATION (cont)

Further to the information disclosed above, the Board of Directors currently receive Consolidated Statement of Financial Position and Statement of Comprehensive Income information that is prepared in accordance with Australian Accounting Standards therefore there is no additional information to disclose.

The Board does not currently receive segment Statement of Financial Position and Statement of Comprehensive Income information other than that presented above. The Board manages exploration activities of each permit area through review and approval of budgets, joint venture cash calls and other operational information. Information regarding exploration expenditure capitalised for each area is contained in Note 6.

	Consolidated	
	31/12/2012	**31/12/2011**
	$	**$**
NOTE 4 ADMINISTRATION EXPENSES		
Consultants fees and expenses	840,136	860,957
Directors remuneration (excluding share based payments)	159,985	155,325
Salaries and on-costs	2,348,110	1,775,721
Share based payments	413,706	368,345
Administration and other expenses	431,915	454,845
Audit costs	43,500	37,185
Securities exchange, share registry and reporting costs	136,625	138,101
Operating lease expenses	257,755	205,973
Travel and corporate promotion costs	649,366	400,844
Depreciation and amortisation expense	324,429	220,658
Gross administration costs	5,605,527	4,617,954
Less allocation to exploration activities	(1,121,713)	(702,377)
Net administration costs	4,483,814	3,915,577

	Consolidated	
	31/12/2012	**30/6/2012**
	$	**$**
NOTE 5 CASH AND CASH EQUIVALENTS		
For the purpose of the half-year cash flow statement cash and cash equivalents comprise:		
Cash at bank	23,119,090	4,362,769
Short term bank deposits	19,262,127	50,968,242
Total cash and cash equivalents	42,381,217	55,331,011

Notes to the financial statements
For the half-year ended 31 December 2012 (continued)

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 2012 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. In particular, the capitalised exploration and evaluation expenditure for the NT/P68 Heron Area of Interest will be subject to review following the exercise or lapse of an option held by the Company's joint venture partner to commit to drilling a further well on the Heron structure. 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 2012 are $145,757,812 (June 2012: $150,329,325) which relate to:-

Area of Interest	31 December 2012	30 June 2012
NT/P68	$113,030,888	$112,810,322
AC/P50 & AC/P51 & AC/P53	$8,415,288	$8,128,276
WA-454-P	$7,034,786	$6,446,584
WA-360-P	$2,275,491	$2,219,675
WA-361-P	$1,066,784	$998,096
Seruway & South Madura PSC's	$10,590,850	$16,794,928
Gulf of Thailand Concession G2/48	$3,143,725	$2,931,444
NT/P79	$200,000	-

In the six months to December 2012, the Gurame SE-1XST dry hole result in the Seruway PSC, the Sainampueng-1 well in Gulf of Thailand G2/48 and exploration in other permits resulted in exploration write-offs totalling $53,883,926.

NOTE 7 TRADE AND OTHER PAYABLES

	Consolidated	
	31/12/2012	**30/6/2012**
	$	**$**
Trade and other payables	22,830,186	3,128,050

Trade payables are non-interest bearing and are normally settled on 30 day terms.

The increase in Trade and Other payables is mainly due to payables for the Gurame SE-1XST well.

Notes to the financial statements
For the half-year ended 31 December 2012 (continued)

NOTE 8 CONTRIBUTED EQUITY

	31/12/2012 Shares	30/6/2012 Shares	31/12/2012 $	30/6/2012 $
Issued and Paid Up Capital				
Ordinary shares fully paid	627,264,587	539,913,260	259,832,705	240,861,060
	=========	=========	=========	=========

During the half-year the Company raised a total of $19,307,000 (before transaction costs of $464,913) from the placement of 40,816,327 shares at $0.245 per share and 46,535,000 shares at $0.20 per share from the Share Purchase Plan.

Dividends

No dividends were declared or paid during the half-year (Dec 2011: Nil).

NOTE 9 SHARE PERFORMANCE RIGHTS

- In November 2012, 1,050,000 performance rights were granted to the managing director and chief executive officer. The shares will be issued 1/3rd on 1 July 2013, 1/3rd on 1 July 2014 and 1/3rd on 1 July 2015 on the condition of the Volume Weighted Average Price remaining at 50c in 2012/2013 for 30 continuous days, 75 cents in 2013/2014 for 30 continuous days and $1.00 in 2014/2015 financial years for 30 continuous days.

NOTE 10 COMMITMENTS

There have been no material changes to commitments since the annual financial statements that were issued for the year ended 30 June 2012.

NOTE 11 EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent to 31st December, Eni provided a notice under the NT/P68 Farm-in Agreement that it will proceed with the drilling of a well in the Blackwood area of the permit. On 4th March 2013, MEO agreed to extend the second Heron well election deadline to 22nd March 2013.

There were no other significant matters that arose subsequent to 31 December 2012 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 2012 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, 7th March 2013

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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 2012, 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. The consolidated entity comprises 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*. The directors are also responsible for such internal controls that 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 2012 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 Ltd 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.

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 Ltd 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 2012 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*.

Uncertainty Regarding Continuation as a Going Concern

Without qualification to the conclusion expressed above, attention is drawn to the following matter. As a result of the matters described in note 2 to the half year financial report, there is material uncertainty as to whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the half year financial report. The financial report does not include any adjustments relating to recoverability, in particular the carrying value of capitalised exploration and evaluation costs, and classification of recorded asset amounts, or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

Matthew A. Honey
Partner
Melbourne
7 March 2013