MEO Australia Limited
(formally Methanol Australia Limited)

ABN 43 066 447 952

HALF-YEAR FINANCIAL REPORT
AND DIRECTORS' REPORT

31 DECEMBER 2006

DIRECTORS' REPORT

The Directors of MEO Australia Limited (variously the "Company" and "MEO Australia") submit their report for the half-year ended 31 December 2006.

DIRECTORS

The Directors of the Company during the half-year ended 31 December 2006 and until the date of this report (in office for the entire period unless otherwise stated) are:

Warwick Bisley B.Eng (Mech) (Hons), FTSE, FRACI, FIE Aust: *Chairman*
Christopher R Hart FAICD: *Managing Director*
Walter J Dewé MA FAICD: *Executive Director, Commercial-Gas*
John A Newton: *Non-Executive Director (appointed 11/12/2006)*
Andrew J Rigg B.Sc MAICD: *Non-Executive Director*
James M D Willis LL.M (Hons) Dip Acc: *Non-Executive Director*

CHANGE OF NAME

On 19 January 2007, with the approval of the members given in general meeting on 16 January 2007, the Company changed its name to MEO Australia Limited from Methanol Australia Limited.

The Company has used the former name since 2000, during which time the Tassie Shoal Methanol Project ("TSMP") has been the Company's main undertaking and principal focus.

The Company's activities now embrace a second gas-to-liquid project (GTL), the Timor Sea LNG Project, and the NT/P68 oil and gas exploration project. Success in the exploration planned for NT/P68, will result in a further broadening to the Company's operational profile.

While less specific, the new name does not completely move away from its methanol roots as the Company has assigned the words Methanol, Energy and Oil to "MEO".

REVIEW OF OPERATIONS

The net loss of the Company for the half-year, after provision for income tax, was $1,572,509.

Tassie Shoal Methanol Project

The Company and Air Products and Chemicals, Inc. continue to develop the Tassie Shoal Methanol Project under the terms of the joint development agreement (JDA). The project proposes to construct two large natural gas reforming and methanol production plants on concrete gravity structures in southeast Asia, tow these plants to Tassie Shoal in the Australian waters of the Timor Sea and ground the structures in the shallow waters of the shoal for operation. The current estimated total capital cost for the first plant is approximately AUD$1.1 billion.

The regional methanol market continues to show strong demand and suffers an ongoing shortage of regional supply. The current CFR Asia posted methanol price is close to US$500 per tonne.

The Company continues to focus on the resolution of gas supply arrangements to allow the project to proceed to front-end engineering and design (FEED) studies and EPC selection. While discussions continue for third party gas supply, at this time, the Company is focusing on the establishment of commercial gas reserves in its own permit, NT/P68.

DIRECTORS' REPORT (continued)

Timor Sea LNG Project

The proposed Timor Sea LNG Project has been designed to be located in the shallow waters of Tassie Shoal. The TSLNGP received its Commonwealth environmental approval to construct, install and operate adjacent to the TSMP on May 5, 2004. The methanol and LNG projects will be able to share infrastructure, logistic support systems and benefit from significant production process advantages. The current estimated total capital cost for the LNG plant, LNG storage tanks and load-out facilities is approximately AUD$1.3 billion. The capital cost estimate is regarded as extremely competitive against projects of similar scale. This is largely due to the advantages in constructing in a Southeast Asian, low cost, experienced fabrication yard as opposed to remote construction at the operational location.

The key for this project is drilling and appraisal success in the Company's permit, NT/P68, particularly the Epenarra structure containing the Heron-1 discovery well, to secure the natural gas supply. In targeting the rapidly expanding markets in northeast Asia, the TSLNGP could provide a highly competitive LNG supply option to the buyers with clear shipping time and sovereign risk advantages. The world LNG market continues to demonstrate strong demand and pricing, particularly from Northeast Asia, Europe and the USA.

Exploration Permit NT/P68

TSP Arafura Petroleum Pty Ltd and Oz-Exoil NL, wholly owned subsidiaries of MEO Australia Limited, hold a 100% interest in NT/P68, a 12,070 square kilometre petroleum exploration permit located immediately to the west of Tassie Shoal in Australian waters of the Timor Sea. The Company believes that the permit offers considerable scope for the discovery of oil and or further gas accumulations that could support the future gas demands of the Tassie Shoal Methanol Project and or the Timor Sea LNG Project.

Studies have confirmed the prospectivity of the Epenarra, Heron North and South, Blackwood prospects and also identified the Seahawk feature, up-dip from the Epenarra and Heron structures. Epenarra, along with the other identified prospects in the permit, collectively, are estimated to have a potential mean gas in place Contingent Resource value that could exceed 13 Tcf. The 3 Mtpa LNG plant requires approximately 3 Tcf of gas to operate for 20 years. The first methanol plant would target poorer quality (high CO_2) gas that is often found in the Eastern Bonaparte Basin, and requires approximately 1.3 Tcf to operate for 20 years.

Epenarra is a large anticlinal structure mapped within the lower section of the Darwin Formation with an aerial closure exceeding 1200 square kilometres. This structure was intersected by the Heron-1 well drilled by Arco in 1972. The well confirmed a 50 metre gas bearing zone in the formation, which is a fractured carbonate. The in place Contingent Resource for gas (P50) for Epenarra has been estimated at 5.6 Tcf. Studies suggest that Epenarra gas may contain significant levels of associated condensate (light oil).

3D seismic data was required to identify the density, distribution and orientation of faults and fracturing within the 50m gas bearing zone intersected by the Heron-1 well to determine the optimum location for an appraisal well and production test.

PGS Australia Pty Ltd (PGS) was contracted to acquire and process approximately 500 square kilometres of 3D seismic over the crest of the Epenarra structure in NT/P68 during September and October 2006 utilizing the M/V Orient Explorer. The 504 sq km survey was completed on October 30, 2006. The survey acquisition was completed within budget and no health, safety or environmental incidents were recorded.

PGS completed and delivered the new NT/P68 3D pre-stack time migrated (PSTM) seismic data processing sequence in January 2007. Initial mapping of the PSTM data has confirmed the Epenarra structure and significantly upgraded the potential resource estimates for the underlying Plover Formation Heron structures from 3.3 Tcf to 5.5 Tcf.

PGS is also processing the 3D seismic data to produce a pre-stack depth migration (PSDM) volume. This data is scheduled for delivery on April 1, 2007. The primary objective of producing a PSDM volume is to enable accurate fault and fracture distribution mapping of the 50m fractured carbonate reservoir of Epenarra to determine the optimum location for appraisal wells.

DIRECTORS' REPORT (continued)

The Blackwood prospect is a large conventional Plover Formation play (the traditional reservoir in the Bonaparte Basin) that is relatively shallow (3300m subsea). Additional 2D infill seismic data was required to improve the structural mapping of Blackwood.

The Company awarded a 2D acquisition contract to the Compagnie Generale de Geophysique Group (CGG) to acquire approximately 600 line kilometres of infill 2D seismic over Blackwood. This survey was completed on November 9, 2006. This survey acquisition was also completed within budget with no health, safety or environmental incidents reported.

CGG completed the processing and delivered the data in February 2007. Interpretation and mapping commenced immediately. The new 2D seismic data will improve the depth conversion assumptions required for final mapping of Blackwood and is expected to confirm the optimum well location to test the Blackwood Prospect.

As previously advised, the Company secured a new jack-up rig to drill up to three wells in NT/P68, commencing in the third quarter of 2007. Seadrill's West Atlas rig is currently in construction at the Keppel FELS yard in Singapore and is well advanced being due for delivery to NT/P68 in September 2007.

Drilling and appraisal success in NT/P68 could offer realistic gas supply solutions for the Company's GTL projects and advance commercialisation decisions.

OTHER MATTERS

Issues of Shares and Options

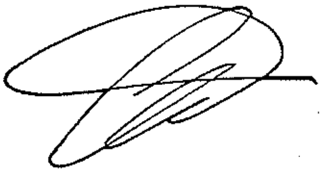
During the half-year the Company raised a total of $25,763,491 from:

- the net proceeds of sale by the trustee of shares pursuant to the Trustee Share Scheme - $1,093,950
- the proceeds from the issue of 52,706,288 shares at an issue price of 22.5 cents, with a free attaching 30 April 2007, option exercisable at 25 cents, resulting from a placement and subsequent underwritten entitlement offer to the members - $11,858,915,
- the cash proceeds from the exercise of 4,050,000 30 September 2006 options at 20 cents - $810,000
- the proceeds from the exercise of 30 April 2007 options - $556
- the proceeds from a placement of 25,000,000 shares at an issue price of 48 cents - $12,000,000

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.



C R Hart
Managing Director
Melbourne, 9 March 2007

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) give a true and fair view of the financial position as at 31 December 2006 and the performance for the half-year ended on that date of the consolidated entity; and

(ii) comply 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.

C R Hart
Managing Director
Melbourne, 9 March 2007

CONDENSED INCOME STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	NOTE	CONSOLIDATED 31/12/2006 $	31/12/2005 $
Revenue	4	318,494	454,632
Expenses	4	1,891,003	1,108,025
Loss before income tax		(1,572,509)	(653,393)
Income tax expense		-	-
Net loss for the period		(1,572,509)	(653,393)
Basic loss per share (cents per share)		(0.88)	(0.47)
Diluted loss per share (cents per share)		(0.88)	(0.47)

BALANCE SHEET
AS AT 31 DECEMBER 2006

	NOTE	CONSOLIDATED 31/12/2006 $	CONSOLIDATED 30/6/2006 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	17,964,242	2,454,356
Trade and other receivables		136,188	13,025
TOTAL CURRENT ASSETS		18,100,430	2,467,381
NON-CURRENT ASSETS			
Plant and equipment		43,322	36,197
Intangible assets		51,058	41,072
Exploration and evaluation costs	6	11,574,424	176,144
TOTAL NON-CURRENT ASSETS		11,668,804	253,413
TOTAL ASSETS		29,769,234	2,720,794
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		3,806,715	179,994
Income tax payable		6,008	18,000
Provisions		17,754	17,754
TOTAL CURRENT LIABILITIES		3,830,477	215,748
NON-CURRENT LIABILITIES			
Provisions		8,000	8,000
TOTAL NON-CURRENT LIABILITIES		8,000	8,000
TOTAL LIABILITIES		3,838,477	223,748
NET ASSETS		25,930,757	2,497,046
EQUITY			
Issued capital	7	36,326,413	12,147,239
Accumulated losses		(11,242,708)	(9,670,199)
Other reserves		847,052	20,006
TOTAL EQUITY		25,930,757	2,497,046

STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	CONSOLIDATED			
	Issued Capital $	Share Based Payments Reserve $	Accumulated Losses $	Total Equity $
At 1 July 2006	12,147,239	20,006	(9,670,199)	2,497,046
Loss for the period	-	-	(1,572,509)	(1,572,509)
Cost of share based payment	-	882,917	-	882,917
Transfer of cost of exercised equity instruments	55,871	(55,871)	-	-
Share issues	24,669,471	-	-	24,669,471
Cost of issues	(1,318,672)	-	-	(1,318,672)
Sale of trustee shares	1,093,950	-	-	1,093,950
Purchase of shares on market in settlement of vested performance rights	(321,446)	-	-	(321,446)
At 31 December 2006	36,326,413	847,052	(11,242,708)	25,930,757

	Issued Capital $	Share Based Payments Reserve $	Accumulated Losses $	Total Equity $
At 1 July 2005	9,501,712	40,191	(8,616,756)	925,147
Loss for the period	-	-	(653,393)	(653,393)
Cost of share based payment	-	23,738	-	23,738
Sale of trustee shares	949,598	-	-	949,598
At 31 December 2005	10,451,310	63,929	(9,270,149)	1,245,090

CASH FLOW STATEMENT
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

	CONSOLIDATED	
	31/12/2006	31/12/2005
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Expenditure recoveries	49,620	426,266
Expenditure on methanol & LNG projects	(340,389)	(190,452)
Other payments to suppliers and employees	(380,642)	(499,734)
Income tax paid	(11,992)	-
Interest received	211,561	28,367
Net cash flows used in operating activities	(471,842)	(235,553)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on plant and equipment	(30,683)	(81,198)
Expenditure on exploration tenements	(8,127,079)	(424,294)
Net cash flows used in investing activities	(8,157,762)	(505,492)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	24,669,471	994,170
Costs of share issues	(1,302,485)	(44,572)
Purchase of shares on market in settlement of vested performance rights	(321,446)	-
Proceeds from sale of trustee shares	1,093,950	-
Net cash flows from financing activities	24,139,490	949,598
Increase in cash and cash equivalents	15,509,886	208,553
Cash and cash equivalents at beginning of period	2,454,356	1,010,768
Cash and cash equivalents at end of period	17,964,242	1,219,321

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006

NOTE 1 CORPORATE INFORMATION

The financial report of MEO Australia Limited for the half-year ended 31 December 2006 was authorised for issue in accordance with a resolution of the directors on 9 March 2007.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

The half-year financial report should be read in conjunction with the annual Financial Report of MEO Australia Limited as at 30 June 2006.

It is also recommended that the half-year financial report be considered together with any public announcements made by MEO Australia Limited and its controlled entities during the half-year ended 31 December 2006 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

The half year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2006.

Basis of preparation

The half-year consolidated financial report is a general-purpose financial report presented in Australian Dollars, which has been prepared in accordance with the requirements of the Corporations Act 2001, applicable Accounting Standards including AASB 134 "Interim Financial Reporting".

The half-year financial report has been prepared on a historical cost basis. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

Summary of significant accounting policies

Basis of consolidation

The half-year consolidated financial statements comprise the financial statements of MEO Australia Limited and its subsidiaries as at 31 December 2006, ('the Group').

NOTE 3 SEGMENT INFORMATION

The Group's operations are confined to development of methanol and LNG projects and petroleum exploration. The primary segment reporting format is by project (business) segment affected predominantly by differences in risk. The Group operates wholly within the single secondary, geographical, segment of Australia.

The following tables represent revenue, profit information regarding business segments for the half-years ended 31 December 2006 and 31 December 2005.

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006 (continued)

NOTE 3 SEGMENT INFORMATION (continued)

BUSINESS SEGMENTS	METHANOL & LNG DEVELOPMENT		PETROLEUM EXPLORATION		CONSOLIDATED	
	31/12/2006	31/12/2005	31/12/2006	31/12/2005	31/12/2006	31/12/2005
	$	$	$	$	$	$
Revenue:						
Segment revenue	-	-	-	417,266	-	417,266
Non-segment revenue					318,494	37,366
Total consolidated revenue					318,494	454,632
Result:						
Segment (loss)	(485,960)	(205,720)	(176,351)	(34,409)	(662,311)	(240,129)
Non-segment expenses					(1,228,692)	(413,264)
Loss before income tax					(1,572,509)	(653,393)
Income tax expense					-	-
Net loss for the period					(1,572,509)	(653,393)

NOTE 4 REVENUES AND EXPENSES

	CONSOLIDATED 31/12/2006 $	31/12/2005 $
Net loss before income tax includes the following revenues and expenses:		
REVENUES		
Expenditure recoveries	106,933	426,265
Interest from other persons and corporations	211,561	28,367
Total Revenue	318,494	454,632
EXPENSES		
Administration and other expenses	42,037	45,606
Audit costs	25,000	18,000
Consultants fees and expenses	230,916	153,543
Depreciation and amortisation expense	13,572	4,180
Directors remuneration	119,608	68,125
Foreign exchange costs	97,883	95
Project costs	58,399	127,245
Salaries and employee benefits	215,484	154,583
Share based payment	882,917	23,738
Stock exchange registry and reporting costs	120,129	43,887
Travel and corporate promotion costs	85,058	57,339
Costs relating to expenditure recoveries	-	411,684
Total Expenses	1,891,003	1,108,025

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 31 DECEMBER 2006 (continued)

	CONSOLIDATED	
	31/12/2006	30/6/2006
	$	$
NOTE 5 CASH AND CASH EQUIVALENTS		
For the purpose of the half-year cash flow statement cash and cash equivalents comprise:		
Cash at bank	4,243,020	83,390
Short term bank deposits	13,721,222	2,370,966
Total cash and cash equivalents	17,964,242	2,454,356

NOTE 6 CAPITALISED EXPLORATION AND EVALUATION COSTS

Exploration and evaluation expenditure capitalised in the half year to 31 December 2006 amounted to $11,398,280 (2005 half year $1,570). Expenditure in the half year mainly related to the acquisition, processing and interpretation of 2D and 3D seismic in exploration permit NT/P68.

	31/12/2006 Shares	30/6/2006 Shares	31/12/2006 $	30/6/2006 $
NOTE 7 CONTRIBUTED EQUITY				
Issued and Paid Up Capital				
Ordinary shares fully paid	222,185,699	134,927,187	36,326,413	12,147,239
Ordinary shares issued pursuant to Trustee Stock Scheme	122,918	5,622,918	-	-
	222,308,617	140,550,105	36,326,413	12,147,239

	31/12/2006 Shares	31/12/2006 $
Movements in Ordinary Shares Fully Paid		
Balance at beginning of period	134,927,187	12,147,239
Shares sold by trustee of trustee stock scheme	5,500,000	1,093,950
Shares issued:		
By placement at 22.5 cents per share	14,055,010	3,162,377
By entitlement at 22.5 cents per share (underwritten)	38,651,278	8,696,538
By exercise of options at 20 cents per share	4,050,000	810,000
By placement at 48 cents per share	25,000,000	12,000,000
By exercise of options at 25 cents per share*	2,224	556
Transfer of cost of exercised equity instruments	600,000	55,871
Costs of sale		(1,318,672)
Purchase of shares on market in settlement of vested performance rights	(600,000)	(321,446)
	222,185,699	36,326,413

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006 (continued)

NOTE 7 CONTRIBUTED EQUITY (continued)

	31/12/2006 Shares	31/12/2006 $
Movements in Ordinary Shares Issued Pursuant to the Trustee Stock Scheme		
Balance at beginning of period	5,622,918	-
Shares sold by trustee during the period	(5,500,000)	-
	122,918	-

* Note – there are 52,706,288 options exercisable at 25 cents expiring on 30 April 2007. At balance date, 2,224 options had been exercised raising $556 (see note 10 for options exercised subsequent to balance date).

NOTE 8 SHARE BASED PAYMENT PLANS

Share Options

In November 2006, 5,500,000 share options were granted to senior executives and directors, exercisable between 10 November 2006 and 30 November 2009 at an exercise price of 50 cents. The market value of the Company's shares at date of grant was 54 cents. The share options vest immediately.

The fair value of the options at date of grant is estimated to be 14.73 cents using a binomial model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

Dividend yield	0%
Expected volatility	75%
Risk-free interest rate	5.9%
Early exercise multiple/estimated life	2
Contractual life (years)	3

The total amount expensed in the half year relating to these share options was $810,150.

Share Performance Rights

In August 2006, 600,000 performance rights were granted to executives to entitle recipients to one fully paid ordinary share in the Company for each right held, upon attainment of performance conditions relating to an increase in the Company's share price. The fair value of the rights granted, all rights having vested during the period, i.e. performance conditions met, amounted to 8.8 cents per right.

The fair value of the performance rights at the date of grant is estimated using a binomial model and based on the following inputs to the model:

Share price at grant date	$0.18
Dividend yield	0%
Expected volatility	70%
Risk-free interest rate	6.2%
Expiry date	30 June 2008
Expected life (years)	Exercised as soon as vested

NOTES TO THE HALF-YEAR FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2006 (continued)

NOTE 9 RELATED PARTY DISCLOSURES

The following table provides the total amount of transactions that were entered into with related parties for the half year ended 31 December 2006 and 2005 relating to executive and consulting fees.

		Purchases from related parties $
Key management personnel of the Group:		
Other directors' interests	2006	188,759
	2005	132,243

The Company has entered into a contract with PetroEx Pty Ltd to secure the executive services of Mr C R Hart, the Company's Managing Director and CEO. The current service contract commenced on 1 July 2005 and terminates on 30 June 2007, at which time the company may choose to commence negotiation to enter into a new employment contract for the services of Mr Hart. Under the terms of the present contract:

- Fees are determined monthly on a time basis at rates commensurable with industry standards.
- PetroEx may after 12 months terminate the contract by giving 3 months written notice.
- The company may terminate the employment contract after 12 months by giving 3 months written notice, or at any time without notice if serious misconduct has occurred.

The Company entered into a 12 month contract on 1 October 2006, with Fourties Pty Ltd for the services of executive director, commercial-gas, Mr WJ Dewé on an as required basis, at rates commensurable with industry standards.

For related party transactions after 31 December 2006, refer Note 10 of this half year report.

NOTE 10 EVENTS AFTER BALANCE DATE

Share Options

- In January 2007, 1,000,000 share options were granted to a director, and in February 2007, 400,000 share options were granted to an employee, exercisable until 30 November 2009 at an exercise price of 50 cents. These share options will be expensed in January and February 2007.

- There are 52,706,288 options exercisable at 25 cents expiring on 30 April 2007. At balance date, 2,224 options had been exercised raising $556. Since balance date, a further 1,673,352 options ($418,338 proceeds) have been exercised taking the total options exercised to 1,675,576 and proceeds received of $418,894.

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To the members of MEO Australia Limited

Report on the Half-Year Condensed Financial Report

We have reviewed the accompanying half-year financial report of MEO Australia Limited and the entities it controlled during the half-year, which comprises the condensed balance sheet as at 31 December 2006, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, other selected explanatory notes and the directors' declaration.

Directors' Responsibility for the half-year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 an Interim 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 2006 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* and other mandatory financial reporting requirements in Australia. 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. The Auditor's Independence Declaration would have been expressed in the same terms if it had been given to the directors at the date this auditor's report was signed.

Conclusion
Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of MEO Australia Limited and the entities it controlled during the half-year, is not in accordance with:

(a) the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2006 and of its performance for the six months ended on that date; and

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

(b) other mandatory financial reporting requirements in Australia.

Ernst & Young

Ernst & Young

Brett Croft
Partner
Melbourne
9 March 2007

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

In relation to our review of the financial report of MEO Australia Limited for the half-year ended 31 December 2006, 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

Brett Croft
Partner
9 March 2007