

MEO Australia Limited
ABN 43 066 447 952

MEO AUSTRALIA LIMITED

ABN 43 066 447 952



HALF-YEAR FINANCIAL REPORT AND DIRECTORS' REPORT

31 DECEMBER 2010

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MEO Australia Limited

ABN 43 066 447 952

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

Registered Office and Principal Place of Business

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Melbourne, Victoria 3000 Australia
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Share Registrar

Link Market Services Limited
Level 1, 333 Collins Street
Melbourne, Victoria 3000 Australia
Telephone +61 (3) 9615 9800
Facsimile +61 (3) 9615 9921

Auditors

Ernst & Young
8 Exhibition Street
Melbourne, Victoria 3000 Australia

Securities Exchange Listing

ASX Limited
Level 45, South Tower, Rialto
525 Collins Street
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 2010.

DIRECTORS

The Directors of the Company during the half-year ended 31 December 2010 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, FCI Arb, Chartered Arbitrator

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

REVIEW AND RESULTS OF OPERATIONS

The net profit of the Company for the half-year, after provision for income tax, was \$18,071,737 (Dec 2009: net loss was \$3,079,864).

The net profit was mainly due to the gain on disposal of 50% interest in WA-360-P (\$29,611,847) together with higher interest income (\$908,949). The Artemis-1 dry hole result in WA-360-P and exploration in other permits resulted in exploration write-offs totalling \$8,718,020 (Dec 2009: \$331,590). Corporate costs for the six months were \$2,716,204 (Dec 2009: \$2,261,119) and foreign exchange losses on revaluation of US dollar cash balances were \$994,407 (Dec 2009: exchange loss \$210,637) due to an appreciating \$A/\$US exchange rate.

Northwest Shelf Exploration Permit WA-360-P (MEO 25%, Petrobras 50%, Cue Energy 15%, Moby Oil and Gas 10%)

During the half-year, MEO made preparations for the drilling of Artemis-1 including the execution of a rig assignment agreement between MEO, Shell and Songa Offshore for use of the Songa Venus semi-submersible drilling rig. MEO received the drilling rig from Shell on 14th November 2010 and the rig was towed to the Artemis-1 location where it arrived on 23rd November 2010. The well was spudded on 25th November 2010 and was drilled to 3,500m MDRT. No hydrocarbons were encountered in the primary objective and the rig was released on 26th December 2010.

Following receipt of all remaining regulatory approvals to drill Artemis-1, MEO received \$39.4 million (approx. US\$39 million) from Petrobras, comprising seismic related back costs of \$7.6 million (approx. US\$7.5 million) and a cash bonus of \$31.8 million (US\$31.5 million). Subsequent to the receipt of the cash consideration, MEO completed the purchase of an additional 5% participating interest in the permit from Moby Oil and Gas for \$7.4 million (US\$7.0 million).

Northwest Shelf Exploration Permit WA-361-P (MEO 50%, Mineralogy 35%, Cue Energy 15%)

During the half-year, MEO acquired an additional 15% participating interest from Gascorp for \$1.0 million (US\$1.0 million) taking its participating interest to 50%. MEO also submitted an application for renewal of the permit. The renewal was subsequently granted by the Designated Authority effective from 31st January 2011 for five years.

Directors' report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Timor Sea Exploration Permit NT/P68 (MEO 100%)

During the half, MEO engaged Schlumberger to undertake a regional reservoir characterisation study. Based on this work, MEO published its estimate of 5.0 Tcf mean prospective resources for the combined Heron North and South structures.

A data room was opened in October 2010 for prospective farm-in partners to undertake a technical review of the Heron discovery with a view to becoming a Joint Venture partner. Several interested parties visited the data room. MEO expects to receive offers late in the first quarter 2011 and enter discussions aimed at finalising a transaction.

Ashmore Cartier Exploration Permits AC/P50 & AC/P51 (MEO 100%)

During the half, MEO acquired a 100% participating interest in these two permits from Silver Wave Energy Pte Ltd for \$270,730 (US\$270,000). All regulatory approvals were obtained for the transfer of equity. MEO granted an option to Silver Wave Energy to re-acquire a 10% participating interest in both permits by reimbursing MEO 20% of its costs including the acquisition cost. The option is valid until the end of Permit Year 3 (20th April 2012).

In a separate transaction, MEO granted RedRock Energy Pte Ltd an option to acquire a 5% carried interest in either or both permits in consideration for the technical work conducted by RedRock since the acquisition of the permits by Silver Wave. The option is valid until either or both permits are relinquished by MEO. In the event MEO elects to drill a well in either or both permits, MEO will carry RedRock's 5% interest through the first well in each permit.

Tassie Shoal Methanol Project "TSMP" (MEO 50%)

MEO held discussions with several resource custodians during the half aimed at securing an equity interest in gas for the TSMP. The Company has noted that for the first time in many years, equity has become potentially available for purchase.

Timor Sea LNG Project "TSLNGP" (MEO 100%)

Discussions were also held during the half in relation to the potential use of the TSLNGP as an option to monetise stranded gas, particularly in combination with the TSMP to sequester CO₂.

New Venture Opportunities

MEO recruited a Chief Geoscientist during the half to lead the technical assessment of new venture opportunities.

OTHER MATTERS

Share Issues

During the half-year the Company raised a total of \$32,599,999 (before transaction costs of \$1,630,000) from the issue of 62,692,305 shares at \$0.52 per share, predominantly to international institutional investors.

Trustee Share Scheme

In August 2010 the Trustee of the MEO Trustee Share Plan, Doravale Enterprises Pty Ltd, sold 10,122,918 MEO shares at \$0.34 per share, raising \$3,441,792 (before costs). The sale of these shares represented the remaining shares in the Scheme and The Trustee Share Plan scheme was closed on 25th August 2010.

Directors' report (continued)

Share Options

4 October 2015 Options

1,500,000 share options were granted to an executive exercisable at a price of \$0.50 per option on or before 4th October 2015. These options vest 50% on 4th October 2011 and 50% on 4th October 2012.

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, 17th February 2011



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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 2010, 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

A handwritten signature in black ink, appearing to read 'Matthew A Honey', with a stylized flourish at the end.

Matthew A Honey
Partner
17 February 2011

***Statement of comprehensive income
For the half-year ended 31 December 2010***

		Consolidated	
	Note	31/12/2010	31/12/2009
		\$	\$
Interest income		1,215,103	306,154
Gain on disposal of 50% interest in WA-360-P	6	<u>29,611,847</u>	-
Total income		<u>30,826,950</u>	<u>306,154</u>
Depreciation and amortisation expense		(52,828)	(60,713)
Directors, employees and consultants	4	(1,929,726)	(1,498,224)
Exploration expenditure written-off	6	(8,718,020)	(331,590)
Project expenditure		(18,204)	(260,369)
Foreign exchange losses		(994,407)	(210,637)
Other expenses	4	<u>(733,650)</u>	<u>(702,182)</u>
Profit/(loss) before income tax		<u>18,380,115</u>	<u>(2,757,561)</u>
Income tax expense		<u>(308,378)</u>	<u>(322,303)</u>
Net profit/(loss) for the period		<u><u>18,071,737</u></u>	<u><u>(3,079,864)</u></u>
Total comprehensive income/(loss) for the period		<u><u>18,071,737</u></u>	<u><u>(3,079,864)</u></u>
Basic earnings (loss) per share (cents per share)		3.71	(0.72)
Diluted earnings (loss) per share (cents per share)		3.71	(0.72)

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

Statement of financial position
As at 31 December 2010

		Consolidated	
	Note	31/12/2010	30/06/2010
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	5	100,338,322	35,989,225
Other receivables		1,020,148	1,125,835
TOTAL CURRENT ASSETS		<u>101,358,470</u>	<u>37,119,060</u>
NON-CURRENT ASSETS			
Plant and equipment		149,375	132,662
Leasehold improvements		-	411
Motor Vehicle		85,281	-
Intangible assets		74,745	93,307
Exploration and evaluation costs	6	113,146,984	124,217,572
TOTAL NON-CURRENT ASSETS		<u>113,456,385</u>	<u>124,443,952</u>
TOTAL ASSETS		<u>214,814,855</u>	<u>161,563,012</u>
CURRENT LIABILITIES			
Trade and other payables		1,038,309	776,256
Provisions		68,015	69,263
TOTAL CURRENT LIABILITIES		<u>1,106,324</u>	<u>845,519</u>
NON-CURRENT LIABILITIES			
Provisions		71,177	59,248
TOTAL NON-CURRENT LIABILITIES		<u>71,177</u>	<u>59,248</u>
TOTAL LIABILITIES		<u>1,177,501</u>	<u>904,767</u>
NET ASSETS		<u>213,637,354</u>	<u>160,658,245</u>
EQUITY			
Contributed equity	7	240,447,098	205,849,286
Share based payments reserve		1,438,984	1,129,424
Accumulated losses		(28,248,728)	(46,320,465)
TOTAL EQUITY		<u>213,637,354</u>	<u>160,658,245</u>

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 2010

	Consolidated	
	31/12/2010	31/12/2009
	\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments to suppliers and employees	(2,499,878)	(2,287,703)
Cost recovery from joint venture partners	440,824	67,742
Interest received	960,352	235,960
Net cash (used in) operating activities	(1,098,702)	(1,984,001)
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on plant and equipment	(42,573)	(22,672)
Expenditure on motor vehicle	(90,184)	-
Expenditure on exploration tenements	(7,121,068)	(466,120)
Proceeds from sale of 50% interest in WA-360-P	39,406,597	-
Net cash from (used in) investing activities	32,152,772	(488,792)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	32,599,999	26,954,273
Proceeds from sale of trustee shares	3,441,792	-
Transaction costs on issue of shares	(1,752,357)	(1,169,433)
Net cash from financing activities	34,289,434	25,784,840
Net increase in cash and cash equivalents	65,343,504	23,312,047
Cash and cash equivalents at beginning of period	35,989,225	17,200,481
Net foreign exchange differences	(994,407)	(210,637)
Cash and cash equivalents at end of period	100,338,322	40,301,891

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 2010***

	Consolidated			
	Issued Capital \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
At 1 July 2010	205,849,286	1,129,424	(46,320,465)	160,658,245
Profit for the period	-	-	18,071,737	18,071,737
Total comprehensive income for the period	-	-	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 issue	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

	Consolidated			
	Issued Capital \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
At 1 July 2009	179,492,194	1,162,356	(42,359,770)	138,294,780
Loss for the period	-	-	(3,079,864)	(3,079,864)
Total comprehensive income for the period	-	-	(3,079,864)	(3,079,864)
Transactions with owners in their capacity as owners:				
Cost of share based payments	-	428,514	-	428,514
Transfer of cost of unvested expired equity instruments	-	(512,026)	512,026	-
Share issue	26,954,273	-	-	26,954,273
Costs of issue (net of tax)	(849,194)	-	-	(849,194)
At 31 December 2009	205,597,273	1,078,844	(44,927,608)	161,748,509

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 2010

NOTE 1 CORPORATE INFORMATION

The general purpose financial report of MEO Australia Limited for the half-year ended 31 December 2010 was authorised for issue in accordance with a resolution of the directors on 17th February 2011.

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 2010 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 2010 and considered together with any public announcements made by MEO Australia Limited and its controlled entities during the half-year ended 31 December 2010 in accordance with the continuous disclosure obligations of the ASX listing rules.

The following amending Standards have been adopted from 1 July 2010. Adoption of these Standards did not have any effect on the financial position or performance of the Group:

- AASB 2009-5 Further Amendments to Australian Accounting Standards Arising from the Annual Improvements Project;
- AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19;
- AASB 2010-1 Amendments to Australian Accounting Standards – Limited Exemptions from Comparative AASB 7 Disclosures for First-time Adopters; and
- AASB 2010-3 Amendments to Australian Accounting Standards Arising from the Annual Improvements Projects.

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 2010 (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 2010 and 31 December 2009. The accounting policies adopted by each segment are similar to the Group's accounting policies.

OPERATING SEGMENTS	METHANOL & LNG DEVELOPMENT		PETROLEUM EXPLORATION		CONSOLIDATED	
	31/12/2010	31/12/2009	31/12/2010	31/12/2009	31/12/2010	31/12/2009
	\$	\$	\$	\$	\$	\$
Income:						
Segment income	-	-	29,611,847	-	29,611,847	-
Non-segment income					1,215,103	306,154
Total consolidated income					<u>30,826,950</u>	<u>306,154</u>
Result:						
Segment profit/(loss)	(18,204)	(260,369)	20,893,827	(331,590)	20,875,623	(591,959)
Interest income					1,215,103	306,154
Non-segment expenses:						
- Directors, employees and consultants					(1,929,726)	(1,498,224)
- Other					(786,478)	(762,895)
Foreign exchange (losses)					(994,407)	(210,637)
Profit/(loss) before income tax expense					<u>18,380,115</u>	<u>(2,757,561)</u>
Income tax expense					(308,378)	(322,303)
Net profit/(loss) for the period					<u><u>18,071,737</u></u>	<u><u>(3,079,864)</u></u>

The segment assets at 31 December 2010 for Petroleum Exploration total \$113,146,984 (30 June 2010: \$124,217,572) and there are no segment assets for Methanol and LNG Development at 31 December 2010 and 30 June 2010.

	Consolidated	
	31/12/2010	31/12/2009
	\$	\$
NOTE 4 EXPENSES		
Directors, employees and consultants		
Consultants fees and expenses	638,213	368,192
Directors remuneration	138,430	98,100
Salaries	843,523	603,418
Share based payments	309,560	428,514
	<u>1,929,726</u>	<u>1,498,224</u>
Other expenses		
Administration and other expenses	199,569	170,929
Audit review costs	32,200	29,500
Securities exchange, share registry and reporting costs	167,401	197,905
Operating lease expenses	37,688	49,507
Travel and corporate promotion costs	296,792	254,341
	<u>733,650</u>	<u>702,182</u>

Notes to the financial statements
For the half-year ended 31 December 2010 (continued)

	Consolidated	
	31/12/2010	30/6/2010
	\$	\$
NOTE 5 CASH AND CASH EQUIVALENTS		
For the purpose of the half-year cash flow statement cash and cash equivalents comprise:		
Cash at bank	32,711,117	1,317,538
Short term bank deposits	67,627,205	34,671,687
Total cash and cash equivalents	<u>100,338,322</u>	<u>35,989,225</u>

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 2010 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 2010 are \$113,146,984 which relate to NT/P68 and AC/P50 and AC/P51 (June 2010: \$124,217,572).

During the half-year, MEO received \$39,406,597 from Petrobras as a result of their 50% farm-in to WA-360-P. The cash received consists of \$7,633,335 for seismic related back-costs and cash bonus of \$31,773,262. Carried forward exploration costs for the Artemis area of interest (\$9,785,840) were applied against these proceeds.

Subsequent to the receipt of the cash consideration, MEO completed the purchase of an additional 5% participating interest in WA-360-P from Moby Oil and Gas for \$7,451,744. The Artemis-1 dry hole result in WA-360-P and exploration in other permits resulted in exploration write-offs totalling \$8,718,020 (Dec 2009: \$331,590).

***Notes to the financial statements
For the half-year ended 31 December 2010 (continued)***

NOTE 7 CONTRIBUTED EQUITY

	31/12/2010	30/6/2010	31/12/2010	30/6/2010
	Shares	Shares	\$	\$
Issued and Paid Up Capital				
Ordinary shares fully paid	539,913,260	467,098,037	240,447,098	205,849,286
Ordinary shares issued pursuant to Trustee Stock Scheme	-	10,122,918	-	-
	<u>539,913,260</u>	<u>477,220,955</u>	<u>240,447,098</u>	<u>205,849,286</u>

Movements in Ordinary Shares Fully Paid

	31/12/2010	31/12/2010
	Shares	\$
Balance at beginning of period	467,098,037	205,849,286
Shares sold by Trustee of Trustee Share Scheme	10,122,918	3,441,792
Placement of 62,692,305 at \$0.52 per share	62,692,305	32,599,999
Transaction costs (net of tax)		(1,443,979)
	<u>539,913,260</u>	<u>240,447,098</u>

Movements in Ordinary Shares Issued Pursuant to the Trustee Stock Scheme

	31/12/2010
	Shares
Balance at beginning of period	10,122,918
Shares sold by Trustee during the period	(10,122,918)
	<u>-</u>

Dividends

No dividends were declared or paid during the half-year (Dec 2009: Nil).

Notes to the financial statements
For the half-year ended 31 December 2010 (continued)

NOTE 8 SHARE BASED PAYMENT PLANS

In October 2010, 1,500,000 share options were granted to an executive exercisable at a price of 50 cents per option on or before 4 October 2015. These options vest 50% on 4 October 2011 and 50% on 4 October 2012.

The fair value of the options at date of grant was estimated to be 22.8 cents for the options vesting on 4 October 2011 and 25.1 cents for options vesting on 4 October 2012. 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	81%	Contractual life (years)	5
Risk-free interest rate	4.9%	Dividend yield	0%
Early exercise multiple/estimated life for options expiring 4 October 2011	3.8 years	Early exercise multiple/estimated life for options expiring 4 October 2012	4.2 years

The total amount expensed in the half year relating to these share options was \$64,313.

The effects of early exercise have been incorporated into the calculations by using an expected life for the option that is shorter than the contractual life based on historical exercise behaviour, which is not necessarily indicative of exercise patterns that may occur in the future.

NOTE 9 COMMITMENTS

There have been no changes to commitments since the annual financial statements that were issued for the year ended 30 June 2010.

NOTE 10 EVENTS AFTER BALANCE DATE

There were no significant matters that arose subsequent to 31 December 2010 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 2010 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, 17th February 2011



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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 2010, 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 statement 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 half-year 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 2010 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.

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:

- i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2010 and of its performance for the half-year ended on that date; and
- ii) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

A handwritten signature in black ink, appearing to read 'Matthew A Honey'.

Matthew A Honey
Partner
Melbourne
17 February 2011