MEO AUSTRALIA LIMITED

ABN 43 066 447 952

FINANCIAL REPORT

2014

MEO Australia Limited
ABN 43 066 447 952

Corporate Directory

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

Company Secretary
Colin H Naylor

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Auditor
Ernst & Young
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Melbourne, Victoria 3000 Australia

Stock exchange listing
ASX Limited
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ASX Code: MEO
Website www.meoaustralia.com.au

Incorporated 14 September 1994
Victoria, Australia

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FORWARD LOOKING STATEMENTS

This Financial Report includes certain forward-looking statements that have been based on current expectations about future acts, events and circumstances. These forward-looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in such forward-looking statements.

These factors include, among other things, commercial and other risks associated with the meeting of objectives and other investment considerations, as well as other matters not yet known to the Company or not currently considered material by the Company.

DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

The directors of MEO Australia Limited (variously the "Company", "MEO" and "MEO Australia") submit their report for the financial year ended 30 June 2014. MEO Australia is a company limited by shares, incorporated and domiciled in Australia.

1. DIRECTORS

The names and details of the Company's directors in office during the financial year and until the date of this report are as follows. The directors were in office during the entire period unless otherwise stated.

Gregory A Short B.Sc (Geology) (Hons)
Chairman (Appointed Independent Non-Executive Director 14th July 2008, appointed Chairman 31st October 2013)

After a long international career in exploration, development and production management with ExxonMobil, Mr Short has now focused his broad experience on leadership of lowcap Oil & Gas companies. He brings valuable experience, from taking several start-up ventures from exploration through to development and production start-up, to MEO Australia Limited. Mr Short became Chairman of MEO last year after 5 years as a non-executive director. Mr Short is also a Non-Executive Director of Pryme Energy Limited (ASX: PYM), Po Valley Energy Limited (ASX: PVE) and Metgasco Limited (ASX: MEL).

Mr Short is Chairman of the Remuneration & Nomination Committee and a member of the Audit & Risk Committee.

Jürgen Hendrich B.Sc. (Geology) (Hons), PDM
Chief Executive Officer (Appointed 16th June 2008) and Managing Director (Appointed 25th July 2008)

Mr Hendrich commenced his career in 1984 as a Petroleum Geologist with Esso Australia Limited (wholly owned by ExxonMobil). In 1996 he joined Australian stockbroking firm J B Were & Son as an Energy Analyst before moving to a role as Portfolio Manager with a boutique Fund Manager in 2000. Following a period of running his own consulting practice specialising in advising junior resource companies, he joined Tolhurst Limited in 2005 initially as Head of Resources Research and subsequently Director of Corporate Finance. In 2008, he accepted an invitation to take on the role of CEO and subsequently Managing Director of MEO.

Stephen W Hopley, PhC (Vic), DipFP(Deakin), GMQ (AGSM), MAICD
Independent Non-Executive Director (Appointed 1st October 2008)

Mr Hopley retired from Macquarie Bank in 2003 after a 14 year career. In the last 4 years of his career, Mr Hopley acted as Division Director of the Financial Services Group with responsibility for Advisor Relationships and Distribution. Mr Hopley has served on a number of Boards, foundations, committees and not for profit organisations. He is a past Board member of the Education Foundation of Australia, the Lord Mayor's Charitable Fund and is a past Securities Industry Education Chair of Task Forces in relation to final subjects in the Graduate Diploma in Financial Planning. He devotes part of his time as a business coach and mentor to a number of early stage enterprises.

Mr Hopley is Chairman of the Audit & Risk Committee and a member of the Remuneration & Nomination Committee.

Michael J F Sweeney LLB, FIAMA, FCIArb, Chartered Arbitrator
Independent Non-Executive Director (Appointed 1st October 2008)

Mr Sweeney is a Barrister, Victorian Bar, Melbourne, specialising in the fields of energy and resources law, joint ventures and generally in commercial and contract law. He also specialises in alternative disputes resolution, particularly arbitration both as arbitrator and as counsel in arbitrations. He is a nationally accredited mediator.

Mr Sweeney was the senior managing executive (prior to this, general counsel and company secretary) of the Mitsubishi and Mitsui interests (MIMI) in the Australian North West Shelf (NWS) Gas Joint Venture from 1986 to 1996. He served as a member of the NWS Joint Venture Project Committee and was deputised to the Board of the North West Shelf LNG Shipping Company. He was a member of the Tokyo based Operating Committee responsible for overseeing MIMI's investments in Australia.

Mr Sweeney is a member of the Remuneration & Nomination Committee and Audit & Risk Committee.

1. DIRECTORS (cont)

Nicholas M Heath B.Eng (Chem) (Hons) Retired as Chairman and Independent Non-executive director on 31st October 2013.

Interests in the shares and options of the company

As at the date of this report, the relevant beneficial and non-beneficial interests of each of the directors in the shares and share options in the Company were:

	Ordinary Shares	Non-Executive Director Options	Managing Director Options	Managing Director Performance Rights
G A Short	1,392,444	900,000	-	-
S W Hopley	950,000	900,000	-	-
J Hendrich	2,086,000	-	3,000,000	350,000
M J F Sweeney	1,031,130	900,000	-	-

The terms of the options are set out in note 21 to the consolidated financial statements.

2. COMPANY SECRETARY

Mr Colin Naylor was appointed Chief Financial Officer on 5th February 2007 and Company Secretary on 23rd February 2007. Mr Naylor has previously worked in senior financial roles in major resource companies and is a Fellow of CPA Australia.

3. DIVIDENDS

No dividend has been paid, provided or recommended during the financial year and to the date of this report (2013: nil).

4. PRINCIPAL ACTIVITIES

The principal activities during the year of the entities within the consolidated entity were oil and gas exploration in Australia, New Zealand, Indonesia and Thailand together with development concepts for the Tassie Shoal Methanol Project and Timor Sea LNG Project.

At 30th June 2014 the Company had 20 employees including directors (2013:24). In addition, the Company engages a number of consultants to assist in the development and management of its various activities on an as required basis.

5. REVIEW OF OPERATIONS

Environment, Health and Safety

Your board believes that workplace injuries are avoidable. Directors specifically address Health, Safety and Environment issues at each Board meeting. Policies and procedures are in place to ensure employees and contractors conduct activities in a safe manner. MEO has adopted an environmental, health and safety policy and conducts its operations in accordance with the Australian Petroleum Production & Exploration Association (APPEA) Code of Practice.

Upstream activities including seismic surveys, well site surveys and drilling operations require a variety of regulatory approvals including environment plans, safety cases and the preparation of plans to manage the undertaking of the activities and the contractors engaged in undertaking the activities.

While there were no reported environmental incidents, two Lost Time Injuries (LTI's) sustained by MEO employees during the year. Both LTI's occurred in the office environment.

Any proposed development activities on Tassie Shoal are subject to environment conditions specified in the Offshore Petroleum and Greenhouse Gas Storage Act (2006), associated Regulations and Directions, as well as the Environment Protection and Biodiversity Conservation (EPBC) Act (1999). There were no field operations undertaken at Tassie Shoal during the year.

5. REVIEW OF OPERATIONS (cont)

AUSTRALIAN OPERATIONS

Bonaparte Basin, Northern Territory/Western Australia

NT/P68 (MEO 50%)

Pursuant to the May 2011 farm-out transaction, Eni Australia ("Eni") commenced drilling Blackwood-2 on 28th October 2013. A 60m core was cut through the target reservoir en route to a total depth of 3,425mMDRT. Following wireline logging, the Operator elected to undertake production testing to determine fluid composition and reservoir productivity. DST#1 was conducted over the interval 3,234m – 3,254mMDRT. No flow was recorded indicating low reservoir permeability. The well was subsequently plugged and abandoned with the rig released on 3rd January 2014.

Eni has remaining options to increase their participating interest in Blackwood from 50% to 75%, and to elect whether to drill a second Heron well. Both options were extended during the year and expire on 30th October 2014.

Net Contingent Resources (50% share)

Discovery Name			1C	2C	3C
Blackwood	Gas	Bscf	187	271	378
	Total Liquids	MMstb	1	1	2
	Barrels Equiv	MMboe	32	46	65
Heron	Gas	Bscf	23	56	597
	Total Liquids	MMstb	-	1	1
	Barrels Equiv	MMboe	4	10	100

Blackwood-1 and Heron-2 discovery wells drilled in 2008. Blackwood and Heron Contingent Resources are currently subject to review, integrating the results of the Blackwood-2 well which was drilled during the year. Resources defined as contingent on the basis that evaluation of the accumulations is currently insufficient to clearly assess commerciality.

Net Prospective Resources (50% share)

Prospect Name			CoS*	P90	P50	PMean	P10
Blackwood East	Gas	Bscf	60%	75	109	111	151
Prospect CoS* = 60%	Total Liquids	MMstb		-	1	1	1

** CoS = Chance of Geologic Success*
These tables should be read with reference to the footnote "Notes regarding Contingent and Prospective resource estimates" on page 14.

NT/P79 (MEO 65%[1])

The Joint Venture received regulatory approval to withdraw from and surrender the permit in August 2013, having submitted an application to do so in June 2013.

WA-454-P (MEO 50%)

MEO was awarded 100% interest in WA-454-P in June 2011 and acquired the Floyd 3D seismic survey in early 2012. The permit contains the 2007 Marina gas and probable oil discovery and a number of prospects and leads. A binding farmout agreement was executed with Origin Energy Resources Limited (a subsidiary of Origin Energy Limited) in July 2013. Origin will acquire a 50% interest in return for reimbursing MEO A$5.6 million of past costs and funding 80% of the Breakwater-1 well to a cap of A$35m excluding production testing. The well cap assumes that 65% of the well costs will be denominated in US$ an exchange rate between the A$ and US$ of parity.

[1] *The participating interest is shown prior to receipt of regulatory approval to withdraw from and surrender the permit which was granted in August 2013. The participating interest at the end of the reporting period is 0%.*

5. REVIEW OF OPERATIONS (cont)

During the year, all regulatory approvals pertaining to the transaction were received and Origin assumed Operatorship. A thorough review of the technical information led to a location being proposed for Breakwater-1 the nominated well to fulfil the commitment well for Permit Year 5 commencing June 2015.

Subsequent to the end of the reporting period, MEO launched a marketing campaign aimed at attracting an additional partner to the permit to fund the residual 20% cost of the well.

Net Contingent Resources (50% share)

Discovery Name			1C	2C	3C
Marina	Gas	Bscf	57	82	211
	Total Liquids	MMstb	1	6	24
	Barrels Equiv	MMboe	10	19	59

Net Prospective Resources (50% share)

Prospect Name			CoS*	P90	P50	PMean	P10
Marina – Deep	Gas	Bscf	40%	18	102	118	244
Prospect	Total Liquids	MMstb		1	3	4	8
Breakwater – West	Gas	Bscf	29%	98	354	383	697
Prospect	Total Liquids	MMstb		3	11	14	30
Breakwater – East	Gas	Bscf	29%	27	59	65	110
Lead	Total Liquids	MMstb		1	2	3	5
Promenade	Gas	Bscf	10%	1,243	1,926	2,014	2,870
Lead	Total Liquids	MMstb		6	18	29	61

** CoS = Chance of Geologic Success*

These tables should be read with reference to the footnote "Notes regarding Contingent and Prospective resource estimates" on page 14.

WA-488-P (MEO 100%)

MEO was awarded 100% interest in WA-488-P in May, 2013. The permit lies on trend with WA-454-P to the north-west and contains the giant Beehive prospect assessed by the technical team of being able to be readily upgraded to drillable status with minor seismic reprocessing. Beehive was identified as a follow-up to the 2011 Ungani-1 oil discovery in the adjacent Canning Basin and represents a new play type in the Bonaparte Basin.

Beehive is considered prospective for oil in two Palaeozoic aged carbonate objectives. The upper Carboniferous aged target is considered analogous to the giant Tengiz oil field in the Caspian Sea, while the lower Ordovician aged target has a giant field onshore China as a direct analogue. A well is currently required in Permit Year 3 commencing May 2015.

A farmout/partial sale process remains in progress.

Prospective Resources (100% share)

Beehive – Carboniferous *Prospect*			CoS*	P90	P50	PMean	P10
Oil Dominant Scenario	Gas	Bscf		-	-	-	-
	Total Liquids	MMstb	13%	104	598	1,009	2,182
Gas Dominant Scenario	Gas	Bscf	3%	415	2,374	3,996	8,615
	Total Liquids	MMstb		20	117	207	457
Aggregate (oil equivalent)**	Barrels Equiv	MMboe	16%	97	558	940	2,033

** CoS = Chance of Geologic Success*

*** Aggregate Risk Weighted Average (80:20) of Oil Dominant and Gas Dominant Scenarios*

5. REVIEW OF OPERATIONS (cont)

Beehive – Ordovician *Prospect*			CoS*	P90	P50	PMean	P10
Oil Dominant Scenario	Gas	Bscf		-	-	-	-
	Total Liquids	MMstb	6%	67	328	574	1,314
Gas Dominant Scenario	Gas	Bscf	2%	278	1,285	2,244	5,060
Aggregate (oil equivalent)**	Barrels Equiv	MMboe	8%	63	305	534	1,220

** CoS = Chance of Geologic Success*
*** Aggregate Risk Weighted Average (80:20) of Oil Dominant and Gas Dominant Scenarios*
These tables should be read with reference to the footnote "Notes regarding Contingent and Prospective resource estimates" on page 14.

Vulcan sub-Basin, Ashmore-Cartier region

AC/P50 & AC/P51 (MEO 100%)

MEO acquired AC/P50 and AC/P51 in late 2010 for US$270,000 and acquired the Zeppelin 3D seismic survey covering a portion of both permits in early 2012. The Vulcan sub-basin is a proven petroleum system that was drilled extensively in the late 80's & early 90's following the discovery of the Jabiru and Challis oil discoveries. Follow-up success to these early discoveries proved elusive due to the structural complexity of the basin compounded by poor seismic image quality that precluded accurate imaging below the top of porosity.

Improvements in seismic acquisition parameters and processing streams resulted in a step change in seismic imaging quality, although this remains challenging. When the modern processing stream was applied to the vintage Onnia 3D seismic survey, an improvement in image quality was obtained and allowed the Ramble-On prospect to be identified in AC/P51, together with a number of low side fault-bend folds to be identified on the Zeppelin 3D survey.

During the year, work program variation requests were submitted to the regulatory authorities seeking to replace drilling in the final permit year (6) commencing April 2014 with geological studies aimed at maturing identified prospects to drillable status. These requests were subsequently approved.

A partial sale process culminated in the signing of an option agreement with Apache Northwest Pty Ltd granting Apache the right until 30th September 2014 to earn a 70% interest and become Operator of one or both permits upon their proposed renewal in April 2015, by funding 100% of all costs including the drilling and testing of the first well in each permit. Permit renewal work programs are subject to approval by the Titles Regulator – NOPTA.

Since the option agreement was signed, Apache has become embroiled in a shareholder led strategy debate about whether Apache should divest its international interests to focus on its domestic assets. Apache has publicly stated is targeting mid-2015 for a separation of its businesses. Under these circumstances, the option agreement is at increased risk of not being exercised.

Prospective Resources (100% share)

Ramble On *Prospect*			CoS*	P90	P50	PMean	P10
Oil Dominant Scenario	Gas	Bscf		-	-	-	-
	Total Liquids	MMstb	9%	8	39	56	130
Gas Dominant Scenario	Gas	Bscf	2%	29	162	461	1,136
	Total Liquids	MMstb		1	6	16	39
Aggregate (oil equivalent)**	Barrels Equiv	MMboe	11%	8	38	63	150

** CoS = Chance of Geologic Success*
*** Aggregate Risk Weighted Average (80:20) of Oil Dominant and Gas Dominant Scenarios*

5. REVIEW OF OPERATIONS (cont)

Jur'maker *Prospect*			CoS*	P90	P50	PMean	P10
Oil Dominant Scenario	Gas	Bscf		-	-	-	-
	Total Liquids	MMstb	5%	3	14	32	73
Gas Dominant Scenario	Gas	Bscf	1%	10	54	117	276
	Total Liquids	MMstb		-	2	4	10
Aggregate (oil equivalent)**	Barrels Equiv	MMboe	6%	3	13	30	70

** CoS = Chance of Geologic Success*
*** Aggregate Risk Weighted Average (80:20) of Oil Dominant and Gas Dominant Scenarios*
These tables should be read with reference to the footnote "Notes regarding Contingent and Prospective resource estimates" on page 14.

AC/P53 (MEO 100%)

This permit was awarded to MEO in early July 2011. The Zeppelin 2D seismic survey was acquired in early 2012 including a tie-line to the Zeppelin 3D. Interpretation of the survey continued during the year.

Carnarvon Basin, Western Australia

WA-360-P (MEO 62.5%)

WA-360-P was renewed in early 2012 for a further 5 year period. The JV licenced the available Foxhound multi-client 3D seismic data on permit to confirm the validity of the Maxwell prospect. The adjoining WA-269-P Joint Venture drilled Ananke-1 during 2012 targeting the same play concept as the Maxwell prospect. Ananke-1 results became open file in August 2014. The well did not encounter the target sands or any hydrocarbons. The impact of these results remains under analysis. MEO continued efforts to divest its interests during the year.

WA-361-P (MEO 50%)

This permit was renewed for five years in early 2011. The JV licenced a significant portion of the Zeus multi-client 3D seismic survey acquired over the permit. A work program variation request to replace the Year 4 well with studies was granted during the year, while MEO continued efforts to divest its interests during the year.

Tassie Shoal Gas Processing Projects

MEO has Commonwealth environmental approvals to construct, install and operate a single 3 Mta LNG plant known as the Timor Sea LNG Project (TSLNGP) and two stand-alone world scale 1.75 Mta 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. Environmental Approvals in the case of the methanol project are valid until 2052, while the LNG project approvals are scheduled for review in 2017.

Tassie Shoal Methanol Project (TSMP, MEO 100%)

MEO proposes the staged construction of two large natural gas reforming and methanol production plants, each with an annual production capacity of 1.75 million tonnes on its own concrete gravity structure (CGS). Each completed plant will be towed to Tassie Shoal and grounded for operation using sea water as ballast. Each plant requires approximately 1.4 Tcf of raw gas, ideally containing around 25% CO_2 to operate for 20 years.

Three key wells were drilled on discovered gas resources in close proximity to the Tassie Shoal site during the year.

5. REVIEW OF OPERATIONS (cont)

Tassie Shoal Methanol Project (TSMP, MEO 100%)

Evans Shoal North-1 was drilled by the NT/P48 JV. At the conclusion of drilling, Eni SPA ("Eni") issued a press release stating that production testing achieved results of 30 MMscf/d from the well and that "*Eni estimates that the Evans Shoal gas field contains at least 8 Tcf of raw gas in place*". This third party resource appears to have sufficient gas to underpin both Methanol plants for well over 20 years. During the year, MEO submitted its assessment of the commerciality of the Evans Shoal field to the National Offshore Petroleum Titles Administrator (NOPTA). This assessment will be taken into consideration during assessment of the Retention Licence application for NT/P48.

Blackwood-2 drilled immediately after Evans Shoal North-1 did not enjoy the same result with no flow recorded during production testing indicating low permeability reservoir.

Barossa-2 encountered 92m of net pay within the target reservoir, however was not production tested. Barossa-3 is scheduled to be drilled in late 2014.

MEO continues to work with prospective partners to secure gas for its proposed projects.

Timor Sea LNG Project (TSLNGP, MEO 100%)

The TSLNGP requires approximately 3 Tcf of clean, low CO2 (<4%) 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. The Greater Sunrise resource represents the most obvious feedstock for the LNG project, however resource ownership is embroiled in international arbitration over the location of maritime boundaries that determine the ownership of the resource. Given most of the remaining gas in the immediate vicinity of Tassie Shoal contains moderate to high CO_2 gas, efforts concentrated on the Tassie Shoal Methanol Project.

INTERNATIONAL OPERATIONS

Indonesia

Seruway PSC (MEO 100%)

In June 2011, MEO closed a transaction to acquire all of the shares in Transworld Seruway Exploration Limited (TSEL) which holds a 100% interest in the Seruway PSC, offshore North Sumatra, from Transworld Exploration Limited (TEL). The holding company was subsequently renamed Seruway Offshore Exploration Limited (SOEL).

MEO continued to market the technical and commercial virtues of the permit prospectivity to prospective farminees. The reality of limited tenure remaining prior to expiry of the PSC at the end of 2014 represents a significant commercial hurdle to any incoming party. Discussions with the regulatory authorities regarding tenure explored various mechanisms whereby tenure extension might be borrowed from the production licence term. Ultimately, this option was not considered practical and the permit will be relinquished on or before expiry of the PSC in December 2014. MEO is considering a Joint Study Application over the area covered by the PSC in an effort to secure tenure for another six years following the completion of the 12-18 month joint study.

Kuala Langsa Contingent Resources* (30% of field lies within Seruway PSC)

Discovery Name			1C	2C	3C
Kuala Langsa	Gas	Bscf	156	205	260
Net Entitlement Interest	Total Liquids	MMstb	-	1	1
	Barrels Equiv	MMboe	26	35	44

** Kuala Langsa-1 discovery well drilled in 1992. Resources defined as contingent on the basis that evaluation of the accumulation is currently insufficient to clearly assess commerciality.*

5. REVIEW OF OPERATIONS (cont)

Prospective Resources (within Seruway PSC 100% share)

Juaro *Prospect*			**CoS***	**P90**	**P50**	**PMean**	**P10**
Oil Dominant Scenario	Gas	Bscf		7	22	22	37
(Net Entitlement Interest)	Total Liquids	MMstb	15%	25	88	88	146
Gas Dominant Scenario	Gas	Bscf	15%	93	314	317	521
(Net Entitlement Interest)	Total Liquids	MMstb		4	14	14	24
Aggregate (oil equivalent)** ***(Net Entitlement Interest)***	Barrels Equiv	MMboe	29%	23	79	80	131
Ibu Alpha *Prospect*			**CoS***	**P90**	**P50**	**PMean**	**P10**
Oil Dominant Scenario	Gas	Bscf		40	60	64	91
(Net Entitlement Interest)	Total Liquids	MMstb	26%	12	18	19	27
Gas Dominant Scenario	Gas	Bscf	26%	64	97	103	148
(Net Entitlement Interest)	Total Liquids	MMstb		-	1	2	4
Aggregate (oil equivalent)** ***(Net Entitlement Interest)***	Barrels Equiv	MMboe	52%	15	22	24	35

** CoS = Chance of Geologic Success*
*** Aggregate Risk Weighted Average (50:50) of Oil Dominant and Gas Dominant Scenarios*
These tables should be read with reference to the footnote "Notes regarding Contingent and Prospective resource estimates" on page 14.

South Madura PSC (MEO 90%)

The PSC expired in October 2013 and all relevant documentation pertaining to the surrender of and withdrawal from the PSC was submitted to the regulatory authorities during the reporting period.

Thailand

G2/48 Concession (MEO 50%)

A partial sale process was initiated in August 2013 with both parties in the Joint Venture offering a portion of their equity in return for funding the 2014 well. Despite interest from prospective farminees, the process did not yield a commercially acceptable offer within the timeframe available. At the end of the Concession period, Mubadala Petroleum (50%) advised it would withdraw from the Concession effective 6th January 2014 and transfer its participating interest to MEO's wholly owned subsidiary Rayong Offshore Exploration Limited ("Rayong"), in the event that Rayong elected to continue in the Concession. Rayong worked valiantly but unsuccessfully to secure a farm-in partner and subsequently advised the regulatory authorities that it too would also withdraw from the Concession.

New Zealand

PE51153 (MEO 30% on completion of Puka-3 well[2])

In April 2014, MEO announced a staged farmin transaction with Kea Petroleum Plc (AIM: KEA) to PEP51153 onshore New Zealand in the Taranaki Basin. The permit contains the Puka oil discovery in the Mount Messenger sands. The Puka-1 and Puka-2 exploration wells are producing oil under a long term production test from this formation. A 3D seismic survey had been acquired over the Puka discovery after the drilling of the two exploration wells. Earlier exploration efforts had resulted in the drilling of Douglas-1, Wingrove-1 and Wingrove-2 to the north.

[2] *MEO is earning its 30% interest by funding NZ$4.5m of an agreed NZ$5m Phase I work program including the drilling of Puka-3, workovers of existing wells and testing of Douglas-1.*

5. REVIEW OF OPERATIONS (cont)

Stage 1 of the farmin involved MEO earning a 30% interest in the permit and the existing production by funding NZ$4.5 million of an agreed NZ$5 million work program including drilling of Puka-3, workovers of the existing wells, installation of permanent production pipework and testing of Douglas-1 which had intersected some 15m of promising oil shows at the top of the deeper Tikorangi Limestone formation, which was heavily fractured in the lower ½ of the 160m interval intersected. On testing, this unit flowed substantial quantities of water. It is not known whether the top 15m of the formation contributed to the flow and as such, the fluid content remains uncertain. The Joint Venture has identified a substantial prospect updip of Douglas-1 that would become an appraisal target if oil can be proven at Douglas-1.

Puka-3 was drilled subsequent to the end of the reporting period. While a thicker section of Mount Messenger sands was intersected, they were predominantly water bearing with an interpreted oil-water-contact (OWC) intersected substantially shallower than expected near the top of the interval. The result has down-graded the Mount Messenger play and MEO will now focus on establishing whether the Tikorangi play can deliver a material commercial prize.

Net Contingent Resources (30% share)

Discovery Name			1C	2C	3C
Puka	Gas	Bscf	-	-	-
	Total Liquids	MMstb	-	1	3
	Barrels Equiv	MMboe	-	1	3

Results For The Year

The net loss of the Group for the financial year, after provision for income tax, was $135,910,471 (2013: net loss after tax of $67,210,094). The loss for the year was mainly due to a write-off of exploration expenditure totalling $129,443,520.

The successful drilling and commercialisation of any commercial oil and gas discoveries in offshore Australian exploration permits and overseas acreage and/or the development/sale of the Group's methanol and LNG Projects could ultimately lead to the establishment of a profitable business. While the Group is in the exploration/appraisal stage of drilling for hydrocarbons in offshore Australian exploration permits and overseas acreage and in the project development phase, funding will be provided by equity capital raised from the issue of new shares and/or farm out or joint development arrangements with other companies.

Review Of Financial Condition

At balance date the Group held cash and cash equivalents of $15,989,872. During the year the Group decreased the cash balance by $536,105 (before foreign exchange fluctuations) with funds used to meet exploration, investment and capital cash outflows of $2,836,113 and net corporate costs of $5,889,146 partly offset by proceeds received from the 50% farm-out of WA-454-P ($5,600,000), interest received of $311,833 and net proceeds from share issues of $2,277,321.

Share Issues

During the year the Company raised a total of $2,464,476 (before transaction costs of $187,155) from the placement of 123,223,800 shares at $0.02 per share from the Share Purchase Plan.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity decreased to $26,728,457 from $159,810,505, a decrease of $133,082,048. The movement was mainly due to the net loss of $135,910,471 partly offset by net proceeds from share issues of $2,277,321.

7. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During the 2014/2015 financial year, MEO will participate in at least one exploration well – Puka-3 in onshore New Zealand permit PEP51153. MEO will earn a 30% interest in PEP51153 by funding NZ$4 million of a NZ$5 million firm program, the major activity being the drilling of Puka-3. The Group will continue with farmout/partial sale opportunities and pursue attractive new venture opportunities capable of generating operating income.

8. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

On 7th August 2014, the Company announced an initiative to realise value from its strategic Tassie Shoal Methanol and LNG projects proposed for offshore Northern Australia. UBS was appointed to lead this process.

On 19th August 2014, the Company reported that the Puka-3 exploration well in onshore New Zealand permit PEP51153 was being plugged and abandoned after reaching a total depth of 2,200mMDRT. Based on evaluation of wireline logs, Puka-3 encountered a thicker than expected target Mount Messenger reservoir section, however the interval was predominantly water bearing, the oil water contact encountered significantly shallower than expected.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or state of affairs of the Group, in future financial years.

9. BUSINESS STRATEGY AND PROSPECTS

MEO's business strategy is to seek high equity interest in exploration acreage primarily in the Australia / Asia-Pacific region at low entry cost, add technical value through investment in seismic data and technical evaluation of acreage prospectivity, then seek to recover invested capital and/or achieve carry for drilling activities through farm-out/partial sale. This core strategy has been expanded to include the acquisition of producing or near producing projects to provide an operating income to support this exploration strategy.

Future Prospects

MEO's future prospects are centred on continuing to replenish the exploration portfolio and seeking to recover invested capital and/or achieve carry for drilling activities through farm-out/partial sale.

Business Risks

Oil and gas exploration and appraisal involves significant risk. The future profitability of MEO and the value of MEO's shares are directly related to the results of exploration and appraisal activities. There are inherent risks in these activities. No assurances can be given that funds spent on exploration and appraisal will result in discoveries that will be commercially viable. Future exploration and appraisal activities, including drilling and seismic acquisition, may result in changes in current prospectivity perceptions of individual prospects, leads and permits. It may even lead to a relinquishment of the permit, or a portion of the permit.

Oil and gas drilling activities are subject to numerous risks, many of which are beyond MEO's control. Drilling activities may be curtailed, delayed or cancelled as a result of weather conditions, mechanical difficulties, availability of the necessary technical equipment and appropriately skilled and experienced technicians. Drilling may result in wells that, whilst encountering oil and gas, may not achieve commercially viable results.

Industry operating risks include fire, explosions, blow outs, pipe failures, abnormally pressured formations and environmental hazards such as accidental spills or leakage of petroleum liquids, gas leaks, ruptures, or discharge of toxic gases. The occurrence of any of these risks could result in substantial losses to MEO due to injury or loss of life; damage to or destruction of property, natural resources, or equipment; pollution or other environmental damage; cleanup responsibilities; regulatory investigation and penalties or suspension of operations. Damages occurring to third parties as a result of such risks may give rise to claims against MEO.

9. BUSINESS STRATEGY AND PROSPECTS (cont)

Permits in which MEO has an interest are subject to compulsory work or expenditure obligations for each permit year which must be met in order to keep the permit in good standing. It is possible for these commitments to be varied by deferment and combination with later year requirements on application of the holders but any such variation is at the discretion of the relevant Minister administering the relevant legislation and regulatory authorities in Australia and foreign jurisdictions. If no variation is approved by the relevant Minister then a failure to meet compulsory obligation could lead to forfeiture of the permit.

MEO, in order to meet future ongoing work programs, will likely be required to raise additional capital. There can be no assurance that sufficient funding will be available to MEO on favourable terms or at all. If MEO is unable to raise necessary finance, there may be a reduction in planned exploration expenditure which could have a material adverse effect on MEO's business, financial condition and operations. Any additional equity financing may dilute existing shareholdings.

MEO is also exposed to a range of market, financial, cultural and governance risks. The Company has risk management and internal control systems to manage material business risks which include insurance coverage over major operational activities and regular review of material business risks by the Audit & Risk Management Committee.

10. SHARE OPTIONS AND SHARE PERFORMANCE RIGHTS

Options and Share Performance Rights granted to directors and executives of the Company

There were no share options granted to employees and contractors during or since the end of the financial year.

Unissued shares under options and share performance rights

At the date of this report unissued ordinary shares of the Company under option and share performance rights are:

Options

Expiry Date	Exercise Price	Number of Shares
4 October 2015	$0.50	1,500,000
4 April 2016	$0.50	1,200,000
1 July 2016	$0.50	500,000
27 October 2015	$0.50	3,300,000
1 July 2016	$0.50	3,000,000
3 October 2016	$0.50	1,200,000
1 December 2016	$0.50	4,330,000
3 April 2017	$0.50	1,500,000
	TOTAL	**16,530,000**

All options expire on the earlier of their expiry date or termination of the employee's employment. The ability to exercise the options is conditional on meeting the relevant vesting conditions. Share options do not entitle the holder to participate in any share issue of the Company.

Share Performance Rights

In FY2013 1,050,000 share performance rights were granted to the Managing Director and Chief Executive Officer – Mr Jürgen Hendrich. Shares will be issued in the event that share price conditions are achieved in each of 2012/13, 2013/14, 2014/15. The share price conditions in years 2013/2014 and 2012/2103 were not achieved and therefore 700,000 share performance rights lapsed. The remaining 350,000 share performance rights will be deemed achieved on the condition that the Volume Weighted Average Share Price remains at $1.00 in financial year 2014/2015 for 30 continuous days.

10. SHARE OPTIONS AND SHARE PERFORMANCE RIGHTS (cont)

Shares issued on the Exercise of Compensation Options

During or since the end of the financial year, there has been no issue of ordinary shares as a result of the exercise of options (2013: nil).

11. INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Company has an insurance policy indemnifying all directors of the Company against legal costs incurred in defending proceedings as permitted by Section 199B of the *Corporations Act 2001.* Under the policy, details of the premium cannot be disclosed.

12. BOARD AND COMMITTEE MEETINGS

The following table sets out the members of the Board of Directors and the members of the Committees of the Board, the number of meetings of the Board and of the Committees held during the year and the number of meetings attended during each director's period of office.

	Board of Directors		Audit & Risk Committee		Remuneration & Nomination Committee	
	A	**B**	**A**	**B**	**A**	**B**
G A Short	12	12	6	6	4	4
J Hendrich	12	12	-	-	-	-
S W Hopley	12	12	5	6	4	4
M J F Sweeney	12	12	6	6	4	4
N M Heath	3	3	3	3	3	3

A – Number of meetings attended
B – Number of meetings held during the time the director held office during the year

In addition to the formally constituted Board of Directors meetings set out above, Directors held frequent informal meetings particularly during the drilling of Blackwood-2 exploration well in NT/P68 and Puka-3 exploration well in PEP51153, onshore New Zealand.

13. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received the independence declaration from the auditor, Ernst & Young, set out on page 15.

Non Audit Services

The following non-audit services were provided by the entity's auditor, Ernst & Young. The directors are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The nature and scope of each non-audit service provided means that auditor independence was not compromised.

Tax services ($13,257) were provided by Ernst & Young during the year.

Notes regarding Contingent and Prospective resource estimates

1. *The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*
2. *The assessments are based on, and fairly represent, information and supporting documentation prepared by Mr Peter Stickland, MEO's Exploration Manager, who is a contractor of the company and has nearly 25 years of relevant experience. Mr. Stickland is a member of the European Association of Geoscientists and Engineers and the Petroleum Exploration Society of Australia. Mr Stickland consents to the publication of the resource assessments contained herein.*
3. *Total Liquids = oil + condensate*
4. *6 Bcf gas equals 1 MMboe; 1 MMbbl condensate equals 1 MMboe*
5. *MEO share can be derived by pro-rating the resource ranges described in the tables above by its percentage equity*
6. *Seruway PSC in which MEO has an interest is subject to the terms of a profit sharing agreement. The terms of this agreement generally allows for the working interest participants to be reimbursed for portions of capital costs and operating expenses and to share in the profits. The reimbursements and profit proceeds are converted to a barrel of oil equivalent by dividing by forecast product prices to determine the "entitlement resources." These entitlement resources are equivalent in principle to net resources and are used to calculate an equivalent net share, termed "Net Entitlement Interest." In accordance with the ASX listing rules, MEO net resources or interest for Seruway PSC subject to this agreement is the entitlement based on MEO's working interest.*

Building a better working world

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

In relation to our audit of the financial report of MEO Australia Limited for the financial year ended 30 June 2014, 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
17 September 2014

14. REMUNERATION REPORT (Audited)

This remuneration report for the year ended 30th June 2014 outlines the remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and its regulations.

The information provided in this Remuneration Report has been audited as required by Section 308 (3C) of the *Corporations Act*. This Remuneration Report forms part of the Directors' Report.

The remuneration report details the remuneration arrangements for Key Management Personnel (KMP) who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Company and the group, directly and indirectly, including any director (whether executive or otherwise) of the parent company.

The remuneration report is presented under the following sections:-
1. Key Management Personnel disclosures for FY2014
2. Remuneration Strategy and Board oversight of remuneration
3. Non-executive director remuneration arrangements
4. Executive remuneration arrangements
5. Remuneration outcomes for FY2014
6. Additional disclosures relating to shares and options
7. Company performance

1. Key Management Personnel (KMP) for FY2014

The names and positions of the KMP during the 2014 financial year (FY2014) and up to the date of this remuneration report are listed below.

(i) Directors

G A Short	Chairman (independent non-executive) (appointed Chairman 31st October 2013)
J Hendrich	Managing Director and Chief Executive Officer
S W Hopley	Director (independent non-executive)
M J F Sweeney	Director (independent non-executive)
N M Heath	Chairman (independent non-executive) (resigned 31st October 2013)

(ii) Executives

C H Naylor	Chief Financial Officer and Company Secretary
R J D Gard	Commercial Manager
R Zammit	Executive Manager Business Development

(iii) Consultants holding key management positions

K Hendrick	Implementation Manager
P Stickland	Exploration Manager

2. Remuneration Strategy and Board oversight of remuneration

Remuneration and nomination committee

The Remuneration and Nomination Committee of the Board of Directors of the Company is responsible for determining and reviewing compensation arrangements for the directors, including the Managing Director and Chief Executive Officer and making recommendations to the Board.

It is important that the Board maintains independence from management when making decisions affecting executive remuneration, particularly in respect of the Managing Director and Chief Executive Officer. Accordingly, the Company's Remuneration and Nomination Committee is comprised solely of non-executive directors and has an independent chair. The Committee can have access to external advisors on a 'case by case' basis.

14. REMUNERATION REPORT (Audited) (cont)

2. Remuneration Strategy and Board oversight of remuneration (cont)

The Remuneration and Nomination Committee assesses the appropriateness of the nature and amount of remuneration on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of high quality directors and the Managing Director and Chief Executive Officer.

Further details regarding the role, responsibilities and composition of the Remuneration and Nomination Committee are set out in the Corporate Governance Statement of the Annual Report.

Remuneration approval process

The Board approves the remuneration arrangements of the Managing Director and Chief Executive Officer and awards under short term and long term incentive arrangements following recommendations from the Remuneration and Nomination Committee. The Board also sets the remuneration of non executive directors which is within the aggregate amount approved by shareholders.

The Managing Director and Chief Executive Officer approves the annual extension of consultant's contracts and their consulting fees and will make recommendations to the Remuneration and Nomination Committee for granting of awards to executives and contractors under the short term and long term incentive arrangements.

Remuneration consultants and external advisors

The Corporations Act sets out a detailed regime in relation to the engagement of external remuneration consultants to ensure that remuneration consultants are free from undue influence by any member of the KMP to whom a 'remuneration recommendation' relates, and requires that certain information be disclosed in the Remuneration Report where a remuneration recommendation has been provided. During the reporting period, the Company did not receive a 'remuneration recommendation' in relation to the quantum or elements of the remuneration packages of the Company's KMP within the meaning of the Corporations Act, and accordingly no further disclosure is required.

Remuneration strategy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives.

To this end, the Company embodies the following principles in its remuneration framework:
- Offer competitive remuneration benchmarked against the external market to attract high calibre executives;
- Where appropriate, provide executive rewards linked to shareholder value; and
- Encourage non-executive directors to hold shares in the Company.

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director remuneration and executive remuneration is separate and distinct. Further details regarding the structure of non-executive director remuneration and executive remuneration (including the Managing Director and Chief Executive Officer) are set out in sections 3 and 4.

3. Non-executive director remuneration arrangements

Remuneration policy and structure

The Board seeks to set remuneration at a level which provides the Company with the ability to attract and retain directors of high calibre, at a cost which is acceptable to shareholders.

14. REMUNERATION REPORT (Audited) (cont)

3. Non-executive director remuneration arrangements (cont)

The amount of aggregate remuneration approved by shareholders and the fee structure is reviewed annually by the Remuneration and Nomination Committee against fees paid to non-executive directors of comparable companies. The Remuneration and Nomination Committee receives independent market data when undertaking this annual review process.

Each director has entered into an agreement as to the terms of their appointment as a director of the Company and (other than the Managing Director) receives remuneration as a director, by way of a fee plus superannuation. Under such agreements current at the date of this report, there are no annual, long service leave, other termination entitlements or retirement benefits other than statutory superannuation.

The Constitution and ASX Listing Rules specify that the aggregate remuneration of non-executive directors shall be determined from time to time by members in general meeting. An amount not exceeding the amount determined is then divided between the directors as agreed. At the Annual General Meeting held on 18th November 2010 shareholders approved an increase in the aggregate annual remuneration to $500,000 per year, with effect from the financial year commencing 1st July 2010 (previously $300,000).

Non-executive directors are encouraged by the Board to hold shares in the Company. Shares are purchased on market at the prevailing market share price.

Non-executive directors have also been granted options under the Company's Long Term Incentive Plan (LTI), as approved by shareholders at the 2011 Annual General Meeting, to further align their interests as directors with those of shareholders. Further details are provided in section 5 below. Directors may consider the granting of options or performance rights in the future, subject to shareholder approval at a General Meeting.

During the year, no additional remuneration was paid to directors for service on board committees or on the boards of wholly owned subsidiaries.

In addition, the directors are entitled to be paid all travelling and other expenses they incur in attending to the Company's affairs, including attending and returning from general meetings of the Company or meetings of the directors or of committees of the directors.

The remuneration of non-executive directors for the year ended 30th June 2014 and 30th June 2013 is detailed in Table 1 and Table 2 of this report.

4. Executive remuneration arrangements

The Company aims to reward executives with a level and mix of remuneration commensurate with their position and responsibilities within the Company and so as to:

- ensure total remuneration is competitive by market standards;
- reward executives for exceptional individual performance; and
- align the interests of executives with those of shareholders.

14. REMUNERATION REPORT (Audited) (cont)

4. Executive remuneration arrangements (cont)

Remuneration mix

The Company's executive remuneration is structured as a mix of fixed annual remuneration and variable 'at risk' remuneration. The mix of these components varies for different management levels.

The table below sets out the relative proportion and components of the senior executives' total remuneration packages for FY2014:

% of Total Remuneration			
		Performance-based remuneration	
	Fixed remuneration	Short Term Incentive	Long Term Incentive
Executives			
J Hendrich	100%	-	-
C H Naylor	100%	-	-
R J D Gard	100%	-	-
R Zammit	100%	-	-
Consultants holding key management positions			
K Hendrick	100%	-	-
P Stickland	100%	-	-

Fixed Remuneration

The level of fixed remuneration is set so as to provide a base level of remuneration which is both appropriate to the position and is competitive in the market. Executive contracts of employment do not include any guaranteed base pay increases.

The fixed component of executives' remuneration is detailed in Table 1 and Table 2 of this report.

Variable Remuneration – Short Term Incentives

MEO does not have a formal Short Term Incentive Program, however the Company does, when applicable, recognise exceptional individual performances in any financial year through the award of a cash bonus. There were no short term incentives awarded in the financial year.

Variable Remuneration – Long Term Incentives

MEO considers the retention of high calibre staff as essential to the growth of the Company. Therefore as an incentive to recruit high calibre individuals to MEO or retain high calibre staff the Board will grant LTI Securities (which may be in the form of share options and/or performance rights) under the Company's Long Term Incentive Plan (**LTI Plan**).

Overview of the LTI Plan

The LTI Plan was adopted by the Board on 13th September 2011. Under the Plan, the Board may invite Eligible Executives (being an employee of the MEO Group (including a director employed in an executive capacity) or any other person who is declared by the Board to be eligible to receive a grant of LTI Securities under the Plan) to participate in a grant of LTI Securities, which may comprise of performance rights and/or options. Offers will be made on the terms set out in the Plan and on any additional terms as the Board determines.

Options and/or performance rights granted under the Plan will only vest, and in the case of options, become exercisable, where any performance condition and any other relevant conditions advised to the participant by the Board have been satisfied.

14. REMUNERATION REPORT (Audited) (cont)

4. Executive remuneration arrangements (cont)

Variable Remuneration – Long Term Incentives

On vesting of a performance right or following the exercise of an option (as the case may be), the Board will allocate the number of shares in respect of which the performance right have vested, or the options have been exercised. Any shares issued under the Plan will rank equally in all respects with other shares on issue at that time (except as regards any rights attaching to such shares by reference to a record date prior to the date of their issue).

In the event of a takeover, a scheme of arrangement, other reconstruction or amalgamation of the Company, a winding up of the Company or other event which is likely to result in a change of control of the Company, the Board may, in its absolute discretion, determine that all or a specified number of a participant's unvested performance rights and/or options vest, having regard to all relevant circumstances, including whether performance is in line with any applicable performance condition over the period from the date of grant to the relevant event, and the portion of any applicable performance period or period of service that has expired at the date of the relevant event. Unless the Board determines otherwise, any vested options will be exercisable for a period specified by the Board and will lapse if not exercised within the specified period.

In accordance with the terms of the Plan, prior to the allocation of shares to a participant upon vesting of performance rights or exercise of options (as the case may be), the Board may make any adjustments it considers appropriate to the terms of a performance right and/or option granted to a participant in order to minimise or eliminate any material advantage or disadvantage to a participant resulting from a corporate action or capital reconstruction. Without limiting the foregoing, if:

- shares are issued pro rata to the Company's shareholders generally by way of a bonus issue (other than an issue in lieu of dividends or by way of a dividend reimbursement) involving capitalisation of reserves of distributable profits;
- shares are issued pro rata to the Company's shareholders generally by way of a rights issue; or
- any reorganisation (including consolidated, subdivision, reduction or return) of the issued capital of the Company is effected,

then the Board may, in its discretion, adjust:

- the number of performance rights or options to which each participant is entitled;
- the number of shares to which each participant is entitled upon vesting of performance rights or exercise of options;
- any amount payable on vesting of the performance rights or exercise of options; or
- where appropriate, a combination of the above,

in the manner determined by the Board, having regard to the ASX Listing Rules and the general principle set out above. Where additional performance rights or options are granted to a participant, such performance rights or options will be subject to the same terms and conditions as the original performance rights or options granted to the participant (including any performance conditions) unless the Board determines otherwise.

Grants made during FY2014

There were no share options granted to employees and contractors during the financial year.

Consultants

The Managing Director and Chief Executive Officer approves the terms and conditions of consultant's contracts including fees, taking into account market conditions for the services that are provided. Consultant contracts do not include any guaranteed fee increases.

Hedging of equity awards

The Company prohibits executives from entering into arrangements to protect the value of invested share options. The prohibition includes entering into contracts to hedge their exposure to options awarded as part of their remuneration package.

14. REMUNERATION REPORT (Audited) (cont)

4. Executive remuneration arrangements (cont)

Executive contractual arrangements

The remuneration arrangements and other terms of employment for Key Management Personnel are formalised in employment agreements. The material terms of the KMP employment agreements are set out below.

- *Managing Director and Chief Executive Officer Remuneration*

On 1st July 2011, the Company entered into a new executive agreement with Mr Hendrich which contains the **following major key terms:-**

- **Term**: From 1st July 2011 until either the Company or Mr Hendrich terminates the Agreement

- **Notice**: The Company may terminate the Agreement at any time by giving 3 Months' notice in writing. Mr Hendrich may terminate the Agreement at any time by giving 3 Months' notice in writing to the Company or immediately upon giving notice that a "fundamental change" to his employment has occurred. The Company may terminate without notice in the event of serious misconduct. The Company may elect to pay Mr Hendrich in lieu of part or all of any notice period.

- **Payments on Termination**: Where the Company terminates Mr Hendrich's employment (except in circumstances of serious misconduct) or Mr Hendrich's employment ceases because of a "fundamental change", Mr Hendrich is entitled to a lump sum payment of up to 12 months Total Fixed Remuneration (inclusive of any amount payable to Mr Hendrich in lieu of notice).

- *Other Executives*

All executives have standard employment contracts. Each executive is employed until such time as the Company or the executive terminate by giving notice. The Company may terminate the executive's employment agreement by providing written notice (ranging from 4 weeks' notice to 3 months' notice) or providing payment in lieu of the notice period (based on the fixed component of the executive's remuneration). The executive may terminate by giving notice under the employment contract, ranging from 4 weeks' notice to 2 months' notice. On termination of notice by the Company or the executive, any options that have vested or that will vest during the notice period will be released. Options that have not vested will be forfeited. The Company may terminate the contract at any time without notice if serious misconduct has occurred. Where termination with cause occurs the executive is only entitled to that portion of remuneration that is fixed, and only up to the date of termination. On termination with cause any unvested options will immediately be forfeited.

- Consultants

The Company has secured the services for Mr Hendrick and Mr Stickland via consulting agreements. These agreements set out the services to be provided, the contract term (typically twelve months) and the day rate for services provided. A meeting is held with each consultant prior to the conclusion of their agreement to resolve any extension or renewal of the agreement, if required, and the relevant terms and conditions of any such extension or renewal.

14. REMUNERATION REPORT (Audited) (cont)

5. Remuneration outcomes for FY2014

5.1 Remuneration of key management personnel of the Company

Details of the remuneration of KMP (including the non-executive directors) for FY2014 and comparative information for FY2013 are set out in Tables 1 and 2 below.

Table 1: Remuneration for the year ended 30 June 2014

	Short term				*Post employment*	*Share-based payments*	*Long term*	*Total*	*Performance related*
	Directors fees $	*Salary and consultant fees $*	*Non-monetary benefits*	*STI cash bonus $*	*Super-annuation benefits $*	**Options $*	*Long service leave $*	*$*	*%*
Non - executive directors									
N M Heath (i)	13,990	-	-	-	23,144	-	-	37,134	-
S W Hopley	34,770	-	-	-	34,997	11,515	-	81,282	14.2
G A Short (i)	77,267	-	-	-	20,257	11,515	-	109,039	10.6
M J F Sweeney	47,895	-	-	-	21,912	11,515	-	81,322	14.2
Sub-total non-executive directors	**173,922**	**-**	**-**	**-**	**100,310**	**34,545**	**-**	**308,777**	**11.2**
Executive director									
J Hendrich	-	499,664	1,617	-	17,775	30,000	17,643	566,699	5.3
Other key management personnel									
C H Naylor	-	265,567	-	-	18,988	8,938	10,476	303,969	2.9
R J D Gard	-	266,780	-	-	17,775	8,938	10,108	303,601	2.9
R Zammit	-	267,775	22,382	-	25,000	8,938	11,040	335,135	2.7
Sub-total executives	**-**	**1,299,786**	**23,999**	**-**	**79,538**	**56,814**	**49,267**	**1,509,404**	**3.8**
Consultants holding key management positions									
K Hendrick (ii)	-	196,000	-	-	-	4,469	-	200,469	2.2
P Stickland (ii)	-	305,250	-	-	-	-	-	305,250	-
Sub-total consultants	**-**	**501,250**	**-**	**-**	**-**	**4,469**	**-**	**505,719**	**0.9**
TOTAL	**173,922**	**1,801,036**	**23,999**	**-**	**179,848**	**95,828**	**49,267**	**2,323,900**	**4.1**

* Refer note 21 to the consolidated financial statements for fair value calculation of options.
(i) N M Heath resigned 31st October 2013, G Short appointed Chairman 31st October 2013.
(ii) Represents fees paid/payable for services provided by entities of the consultants.

14. REMUNERATION REPORT (Audited) (cont)

5.1 Remuneration of key management personnel of the Company (cont)

Table 2: Remuneration for the year ended 30 June 2013

	Short term				*Post employment*	*Share-based payments*	*Long term*	*Total*	*Performance related*
	Directors fees $	*Salary and consultant fees $*	*Non-monetary benefits*	*STI cash bonus $*	*Super-annuation benefits $*	**Options $*	*Long service leave $*	*$*	*%*
Non - executive directors									
N M Heath	96,970	-	-	-	14,241	24,535	-	135,746	18.1
S W Hopley	44,607	46,200(1)	-	-	25,000	24,535	-	140,342	17.5
G A Short	47,895	-	-	-	21,712	24,535	-	94,142	26.1
M J F Sweeney	63,860	-	-	-	5,787	24,535	-	94,182	26.1
Sub-total non-executive directors	**253,332**	**46,200**	**-**	**-**	**66,740**	**98,140**	**-**	**464,412**	**21.1**
Executive director									
J Hendrich	-	485,030	7,703	-	24,970	70,500	10,046	598,249	11.8
Other key management personnel									
C H Naylor	-	258,250	-	-	25,000	37,158	5,701	326,109	11.4
R J D Gard	-	266,780	-	-	16,470	37,158	5,556	325,964	11.4
R Zammit	-	266,180	22,516	-	25,000	37,158	5,268	356,122	10.4
Sub-total executives	**-**	**1,276,240**	**30,219**	**-**	**91,440**	**181,974**	**26,571**	**1,606,444**	**11.3**
Consultants holding key management positions									
D Maughan (ii) (iii)	-	293,000	-	-	-	18,579	-	311,579	6.0
K Hendrick (ii)	-	341,250	-	-	-	18,579	-	359,829	5.2
P Stickland (iii)	-	23,187	-	-	-	844	-	24,031	3.5
Sub-total consultants	**-**	**657,437**	**-**	**-**	**-**	**38,002**	**-**	**695,439**	**5.5**
TOTAL	**253,332**	**1,979,877**	**30,219**	**-**	**158,180**	**318,116**	**26,571**	**2,766,295**	**11.5**

* Refer note 21 to the consolidated financial statements for fair value calculation of options.

(i) Represents fee paid/payable for services provided in Chairing the Strategic Review Committee. Additional services were provided under normal commercial terms and conditions.

(ii) Represents fees paid/payable for services provided by entities of the consultants.

(iii) Mr Maughan retired 1st June 2013 and Mr Stickland was appointed Exploration Manager 1st June 2013. Remuneration is from date of appointment as a KMP.

14. REMUNERATION REPORT (Audited) (cont)

5.2 Equity instruments

Table 3: Options and share performance rights awarded, vested and lapsed during the year

Options **30 June 2014**	**Award Date**	**Options awarded during the year No.**	**Fair Value per option at award date (cents)**	**Vesting date**	**No. vested during year**	**No lapsed during year**	**Expiry Date**
Non-executive directors							
G A Short	27 Oct 2011	-	-	27 Oct 2013	300,000	-	27 Oct 2015
S W Hopley	27 Oct 2011	-	-	27 Oct 2013	300,000	-	27 Oct 2015
M J F Sweeney	27 Oct 2011	-	-	27 Oct 2013	300,000	-	27 Oct 2015
N M Heath	27 Oct 2011	-	-	27 Oct 2013	300,000	300,000	27 Oct 2015
Executives							
J Hendrich	27 Oct 2011	-	-	1 July 2013	1,000,000	-	1 July 2016
C H Naylor	1 Dec 2011	-	-	1 Dec 2013	500,000	-	1 Dec 2016
R J D Gard	1 Dec 2011	-	-	1 Dec 2013	500,000	-	1 Dec 2016
R Zammit	1 Dec 2011	-	-	1 Dec 2013	500,000	-	1 Dec 2016
K Hendrick	1 Dec 2011	-	-	1 Dec 2013	250,000	-	1 Dec 2016
P Stickland	22 Mar 2011	-	-	1 July 2013	250,000	-	1 July 2016

Share Performance Rights

30 June 2014	**Award Date**	**Share Rights awarded during the year No.**	**Fair Value per option at award date (cents)**	**Vesting date**	**No. vested during year**	**No lapsed during year**	**Expiry Date**
Executives							
J Hendrich	15 Nov 2012	-	-	30 Jun 2014	-	350,000	-

Table 4: Value of options awarded, exercised and lapsed during the year

	Value of options granted during the year $	Value of options exercised during the year $	Value of options lapsed during the year $
N M Heath	-	-	24,000

Table 5: Value of share performance rights awarded, exercised and lapsed during the year

	Value of rights granted during the year $	Value of rights exercised during the year $	Value of rights lapsed during the year $
J Hendrich	-	-	8,750

For details on the valuation of the options and share performance rights, including models used and assumptions used please refer to note 21 to the consolidated financial statements.

Table 6: Share issued on exercise of options

There was no exercise of options during the reporting period (2013: nil).

14. REMUNERATION REPORT (Audited) (cont)

6. Additional disclosures relating to shares and options

Shareholdings of key management personnel

The movement during the reporting period in the number of ordinary shares in MEO Australia Limited held directly, indirectly or beneficially, by key management personnel, including their related parties, is as follows:

30 June 2014	Held at 1 July 2013	Purchases	Received on Exercise of Options	Sales	Held at 30 June 2014
Shares held in MEO Australia Limited (number)					
Non-executive directors					
G A Short	642,444	750,000	-	-	1,392,444
M J F Sweeney	281,130	750,000	-	-	1,031,130
S W Hopley	200,000	750,000	-	-	950,000
N M Heath*	1,529,630	356,385	-	-	-
* 1,886,015 shares held at resignation date					
Executives					
J Hendrich (Executive Director)	1,336,000	750,000	-	-	2,086,000
C H Naylor	565,000	750,000	-	-	1,315,000
R J D Gard	2,350,000	500,000	-	(400,000)	2,450,000
R Zammit	110,000	500,000	-	-	610,000
Contractors					
K Hendrick	1,630,000	250,000	-	-	1,880,000
P Stickland	78,700	375,000	-	-	453,700

No shares were granted to key management personnel during the reported period as compensation.

Option holdings of key management personnel

The movement during the reporting period in the number of options over ordinary shares in MEO Australia Limited held, directly, indirectly and beneficially by key management personnel, including their related parties is as follows:

	Held at 1 July 2013	Granted as Remuneration	Options Exercised	Options Lapsed	Held at 30 June 2014	Vested in 2014	Vested and exercisable at 30 June 2014
Options (number)							
Non-executive directors							
G A Short	900,000	-	-	-	900,000	300,000	600,000
M J Sweeney	900,000	-	-	-	900,000	300,000	600,000
S W Hopley	900,000	-	-	-	900,000	300,000	600,000
N M Heath*	900,000	-	-	300,000	-	300,000	-
* 600,000 options held at resignation date							
Executive Director and other Executives							
J Hendrich	3,000,000	-	-	-	3,000,000	1,000,000	2,000,000
C H Naylor	1,000,000	-	-	-	1,000,000	500,000	1,000,000
R J D Gard	1,000,000	-	-	-	1,000,000	500,000	1,000,000
R Zammit	1,000,000	-	-	-	1,000,000	500,000	1,000,000
Contractors							
K Hendrick	500,000	-	-	-	500,000	250,000	500,000
P Stickland	500,000	-	-	-	500,000	250,000	500,000

14. REMUNERATION REPORT (Audited) (cont)

7. Company performance

The remuneration of MEO executives and contractors is not formally linked to financial performance measures of the Company. However, as explained on page 19, executives are strongly incentivised to maximise shareholder wealth because of the fact that the exercise price of the options granted to executives, should they vest, is higher than the market price on the grant date. In accordance the Section 300A of the *Corporations Act 2001* the following table summarises MEO's performance over a five year period:

Measure	**2014**	**2013**	**2012**	**2011**	**2010**
Net (loss)/profit - $000	(135,910)	(67,210)	(5,698)	13,707	(4,826)
Basic (loss)/earnings per share – cents per share	(21.12)	(11.26)	(1.06)	2.67	(1.07)
Share price at the beginning of year - $	0.06	0.25	0.18	0.25	0.23
Share price at end of year - $	0.03	0.06	0.25	0.18	0.25
Dividends per share – cents	Nil	Nil	Nil	Nil	Nil

Signed in accordance with a resolution of the directors

J HENDRICH
Managing Director and Chief Executive Officer
Melbourne, 17th September 2014

MEO Australia Limited
ABN 43 066 447 952

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014	2013
		$	**$**
Interest income		293,425	1,005,266
Total income		**293,425**	**1,005,266**
Net administration costs	4	(6,498,867)	(7,697,729)
Exploration expenditure written-off		(129,443,520)	(60,443,484)
Tassie Shoal Project expenditure		-	(278,055)
Share of losses of an associate		(29,142)	-
Gain on disposal of associate		215,871	-
Impairment on available for sale financial assets		(215,871)	-
Foreign exchange (losses)/gains		(76,872)	435,129
Loss before income tax		**(135,754,976)**	**(66,978,873)**
Income tax expense	5	(155,495)	(231,221)
Net loss for the period		**(135,910,471)**	**(67,210,094)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		254,789	1,683,536
Other comprehensive income for the period, net of tax		**254,789**	**1,683,536**
Total comprehensive loss for the period		**(135,655,682)**	**(65,526,558)**
Basic loss per share (cents per share)	6	(21.12)	(11.26)
Diluted loss per share (cents per share)	6	(21.12)	(11.26)

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

MEO Australia Limited
ABN 43 066 447 952

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014	2013
CURRENT ASSETS		**$**	**$**
Cash and cash equivalents	7	15,989,872	16,602,849
Other receivables	8	410,890	302,837
TOTAL CURRENT ASSETS		16,400,762	16,905,686
NON-CURRENT ASSETS			
Investment in associate	9	-	-
Property, plant and equipment	10	802,679	1,136,560
Intangible assets	11	274,234	507,613
Exploration and evaluation costs	12	11,330,618	143,119,433
Available for sale financial assets	13	-	-
TOTAL NON-CURRENT ASSETS		12,407,531	144,763,606
TOTAL ASSETS		**28,808,293**	**161,669,292**
CURRENT LIABILITIES			
Trade and other payables	14	1,528,895	1,350,817
Provisions	15	241,059	225,175
TOTAL CURRENT LIABILITIES		1,769,954	1,575,992
NON-CURRENT LIABILITIES			
Provisions	15	309,882	282,795
TOTAL NON-CURRENT LIABILITIES		309,882	282,795
TOTAL LIABILITIES		**2,079,836**	**1,858,787**
NET ASSETS		**26,728,457**	**159,810,505**
EQUITY			
Contributed equity	16	262,367,184	259,934,368
Reserves	16	3,979,795	3,731,619
Accumulated losses	16	(239,618,522)	(103,855,482)
TOTAL EQUITY		**26,728,457**	**159,810,505**

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

MEO Australia Limited
ABN 43 066 447 952

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Issued capital $	Share based payments reserve $	Foreign Currency Translation Reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2013	**259,934,368**	**1,696,686**	**2,034,933**	**(103,855,482)**	**159,810,505**
Net loss for the period	-	-	-	(135,910,471)	(135,910,471)
Other comprehensive income/(loss)	-	-	254,789	-	254,789
Total comprehensive income/(loss) for the year	**-**	**-**	**254,789**	**(135,910,471)**	**(135,655,682)**
Transactions with owners in their capacity as owners:					
Cost of share based payments	-	140,818	-	-	140,818
Share issues	2,464,476	-	-	-	2,464,476
Costs of issues (net of tax)	(31,660)	-	-	-	(31,660)
Transfer of equity instruments expired unvested	-	(147,431)	-	147,431	-
At 30 June 2014	**262,367,184**	**1,690,073**	**2,289,722**	**(239,618,522)**	**26,728,457**

	Issued capital $	Share based payments reserve $	Foreign Currency Translation 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	-	-	-	(67,210,094)	(67,210,094)
Other comprehensive income	-	-	1,683,536	-	1,683,536
Total comprehensive income/(loss) for the year	**-**	**-**	**1,683,536**	**(67,210,094)**	**(65,526,558)**
Transactions with owners in their capacity as owners:					
Cost of share based payments	-	641,911	-	-	641,911
Share issues	19,307,000	-	-	-	19,307,000
Costs of issues (net of tax)	(233,692)	-	-	-	(233,692)
At 30 June 2013	**259,934,368**	**1,696,686**	**2,034,933**	**(103,855,482)**	**159,810,505**

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

MEO Australia Limited
ABN 43 066 447 952

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

		2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		**$**	**$**
Payments to suppliers and employees		(5,967,995)	(7,479,127)
Cost recovery from joint venture partners		78,849	167,985
Interest received		311,833	1,270,997
Net cash (used in) operating activities	(note 17)	**(5,577,313)**	**(6,040,145)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on plant and equipment		(7,995)	(123,495)
Expenditure on intangible assets		(24,160)	(35,724)
Investment in associate		(29,142)	-
Expenditure on exploration tenements		(2,774,816)	(51,806,014)
Proceeds from 50% farm-in to WA-454-P		5,600,000	-
Net cash (used in) from investing activities		**2,763,887**	**(51,965,233)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from share issues		2,464,476	19,307,000
Transaction costs on issue of shares		(187,155)	(464,913)
Net cash from financing activities		**2,277,321**	**18,842,087**
Net decrease in cash and cash equivalents		**(536,105)**	**(39,163,291)**
Cash and cash equivalents at beginning of period		**16,602,849**	**55,331,011**
Net foreign exchange differences		(76,872)	435,129
Cash and cash equivalents at end of period	(note 7)	**15,989,872**	**16,602,849**

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

NOTE 1 CORPORATE INFORMATION

The financial report of MEO Australia Limited ("MEO Australia", or the "Company") for the year ended 30 June 2014 was authorised for issue in accordance with a resolution of the directors on 17th September 2014.

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

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial report is a general-purpose financial report of a "for-profit" entity, which has been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board, and is presented in Australian dollars.

(i) Compliance with IFRS

The financial report complies with Australian Accounting Standards issued by the Australian Accounting Standards Board and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

(ii) New and amended standards adopted by the Group

The following new standards and amendments to standards are mandatory for the first time for the financial year beginning 1 July 2013:

- AASB 10 Consolidated Financial Statements

AASB 10 establishes a new control model that applies to all entities. It replaces parts of AASB 127 Consolidated and Separate Financial Statements dealing with the accounting for consolidated financial statements and UIG-112 Consolidation - Special Purpose Entities.

The new control model broadens the situations when an entity is considered to be controlled by another entity and includes new guidance for applying the model to specific situations, including when acting as a manager may give control, the impact of potential voting rights and when holding less than a majority voting rights may give control.

Consequential amendments were also made to this and other standards via AASB 2011-7 and AASB 2012-10.

- AASB 11 Joint Arrangements

AASB 11 replaces AASB 131 Interests in Joint Ventures and UIG-113 Jointly- controlled Entities - Non-monetary Contributions by Ventures.

AASB 11 uses the principle of control in AASB 10 to define joint control, and therefore the determination of whether joint control exists may change. In addition it removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, accounting for a joint arrangement is dependent on the nature of the rights and obligations arising from the arrangement. Joint operations that give the venturers a right to the underlying assets and obligations themselves is accounted for by recognising the share of those assets and obligations. Joint ventures that give the venturers a right to the net assets is accounted for using the equity method.

Consequential amendments were also made to this and other standards via AASB 2011-7, AASB 2010-10 and amendments to AASB 128. Amendments made by the IASB in May 2014 add guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(a) Basis of Preparation (cont)

- AASB 12 Disclosure of Interests in Other Entities

AASB 12 includes all disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. New disclosures have been introduced about the judgments made by management to determine whether control exists, and to require summarised information about joint arrangements, associates, structured entities and subsidiaries with non-controlling interests.

- AASB 13 Fair Value Measurement

AASB 13 establishes a single source of guidance for determining the fair value of assets and liabilities. AASB 13 does not change when an entity is required to use fair value, but rather, provides guidance on how to determine fair value when fair value is required or permitted. Application of this definition may result in different fair values being determined for the relevant assets.

AASB 13 also expands the disclosure requirements for all assets or liabilities carried at fair value. This includes information about the assumptions made and the qualitative impact of those assumptions on the fair value determined.

Consequential amendments were also made to other standards via AASB 2011-8.

- AASB 19 Employee Benefits

The main change introduced by this standard is to revise the accounting for defined benefit plans. The amendment removes the options for accounting for the liability, and requires that the liabilities arising from such plans is recognised in full with actuarial gains and losses being recognised in other comprehensive income. It also revised the method of calculating the return on plan assets.

The revised standard changes the definition of short-term employee benefits. The distinction between short-term and other long-term employee benefits is now based on whether the benefits are expected to be settled wholly within 12 months after the reporting date.

Consequential amendments were also made to other standards via AASB 2011-10.

- AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements [AASB 124]

This amendment deletes from AASB 124 individual key management personnel disclosure requirements for disclosing entities that are not companies. It also removes the individual KMP disclosure requirements for all disclosing entities in relation to equity holdings, loans and other related party transactions.

Adoption of these Standards did not have a material effect on the financial position or performance of the Group.

(iii) Early adoption of new Accounting Standards

The Group has not elected to early adopt any of the standards set out under (b) New Accounting Standards and Interpretations' for the current reporting period.

(iv) Historical cost convention

The financial statements have been prepared under a historical cost convention, except for derivative financial instruments and available for sale assets which have been measured at fair value.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(b) New Accounting Standards and Interpretations

The following standards and interpretations have been issued by the AASB but are not yet effective for the period ending 30 June 2014. Adoption of these Standards is not expected to have a material effect on the financial position or performance of the Group however the position will be further reviewed during FY2014-2015.

Reference	Title	Summary	Application date of standard	Application date for Group
AASB 2013-3	Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets	AASB 2013-3 amends the disclosure requirements in AASB 136 Impairment of Assets. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 Jan 2014	1 July 2014
Annual Improvements 2010–2012 Cycle	Annual Improvements to IFRSs 2010–2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► IFRS 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► IFRS 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► IFRS 8 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► IAS 16 & IAS 38 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. ► IAS 24 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of IAS 24 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 July 2014

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(b) New Accounting Standards and Interpretations (cont)

Reference	Title	Summary	Application date of standard	Application date for Group
IFRS 15	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Early application of this standard is permitted.	1 January 2017	1 July 2017
AASB 9	Financial Instruments	AASB 9 includes requirements for the classification and measurement of financial assets. It was further amended by AASB 2010-7 to reflect amendments to the accounting for financial liabilities These requirements improve and simplify the approach for classification and measurement of financial assets compared with the requirements of AASB 139. The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures.	1 Jan 2018	1 July 2018

Other new Australian accounting standards and Interpretations issued but not yet effective are not relevant to the Group.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns.

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

(d) Significant accounting judgements, estimates and assumptions

The carrying amounts of certain assets and liabilities are often determined based on judgements, estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value of share options is determined using a binomial option pricing model, and using the assumptions detailed in note 21.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(d) Significant accounting judgements, estimates and assumptions (cont)

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 30 June 2014 exploration activities in each area of interest 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.

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 30th June 2014 the Group had cash reserves of $15,989,872. The cash reserves are sufficient to meet the Group's planned expenditure exploration activities for the 12 months to 30th June 2015.

The 2014 financial statements have 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.

Having carefully assessed the potential uncertainties relating to the Group's ability to effectively fund the planned exploration activities and operating expenditures, 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.

(e) Segment reporting

Operating segments are reported in a manner which is materially consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(f) Foreign currency translation

(i) Functional and presentation currency

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. The Group has elected to recycle the gain or loss that arises from the direct method of consolidation, which is the method the Group uses to complete its consolidation.

(ii) Transactions and balances

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date. All exchange differences in the consolidated report are taken to profit or loss.

(iii) Group companies

On consolidation the assets and liabilities of foreign operations are translated into Australian dollars at the rate of exchange prevailing at the reporting date. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

(g) Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of financial position comprise cash at bank and in hand and short-term deposits that are readily convertible to a known amount of cash and used for meeting short term cash needs.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(h) Derivative financial instruments and hedging

The Group uses derivative financial instruments such as forward currency contracts to hedge its risks associated with foreign currency fluctuations. Such derivative financial instruments are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently remeasured to fair value. Certain derivatives do not qualify for hedge accounting and changes in the fair value are recognised immediately in profit or loss in other revenues and expenses. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative.

Any gains or losses arising from the changes in the fair value of derivatives, except those that qualify as cash flow hedges are taken directly to profit or loss for the year.

The fair values of forward currency contracts are calculated by reference to current forward exchange rates for contracts with similar maturity profiles.

(i) Investment and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through profit and loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through profit or loss, directly attributable transaction costs.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(i) Investment and other financial assets (cont)

Available-for-sale (AFS) financial investments

AFS financial investments include equity investments and debt securities. Equity investments classified as AFS are those that are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those that are intended to be held for an indefinite period of time and that may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial measurement, AFS financial investments are subsequently measured at fair value with unrealised gains or losses recognised as Other Comprehensive Income (OCI) and credited in the AFS reserve until the investment is de-recognised, at which time the cumulative gain or loss is recognised in other operating income, or the investment is determined to be impaired, when the cumulative loss is reclassified from the AFS reserve to the statement of profit or loss.

The Group evaluates whether the ability and intention to sell its AFS financial assets in the near term is still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

(i) Impairment of financial assets

The Group assesses, at each reporting date, whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

(j) Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in an associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment.

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is shown on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(j) Investments in associates (cont)

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value then recognises the loss as 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

(k) Plant and equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets which range from 3 to 15 years.

Impairment
The carrying values of plant and equipment are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is written down to its recoverable amount.

The recoverable amount of plant and equipment is the greater of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An item of plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of comprehensive income in the period the item is derecognised.

(l) Methanol and LNG project costs

Research and feasibility costs are expensed as incurred. Development expenditure incurred on a project is carried forward when its future recoverability can reasonably be regarded as assured.

Following the initial recognition of the development expenditure, the cost model is applied requiring the asset to be carried at cost less any accumulated amortisation and accumulated impairment losses. Any expenditure carried forward is amortised over the period of expected future revenue from the related project.

The carrying value of development costs is reviewed for impairment annually when the asset is not yet in use, or more frequently when an indicator of impairment arises during the reporting year indicating that the carrying value may not be recoverable.

(m) Exploration and evaluation costs

Exploration and evaluation expenditure is carried at cost. If indication of impairment arises, the recoverable amount is estimated and an impairment loss is recognised to the extent that the recoverable amount is lower than the carrying amount.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(m) Exploration and evaluation costs (cont)

Exploration and evaluation costs are accumulated separately for each current 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.

Impairment of exploration and evaluation costs

To the extent that capitalised exploration and evaluation expenditure is determined not to be recoverable in the future, profits/(losses) and net assets will be varied in the period in which this determination is made.

Farm-outs

The Group will account for farm-out arrangements as follows:

- The Group will not record any expenditure made by the farminee on its behalf;
- The Group will not recognise a gain or loss on the farm-out arrangement but rather will redesignate any costs previously capitalised in relation to the whole interest as relating to the partial interest retained; and
- Any cash consideration to be received will be credited against costs previously capitalised in relation to the whole interest with any excess to be accounted for by the Group as gain on disposal.

(n) Intangible assets

Intangible assets acquired are measured at cost less any accumulated amortisation and any accumulated impairment losses.

Intangible assets with finite lives are amortised over the useful life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and method for an intangible asset with a finite useful life is reviewed at least annually. Changes in the expected useful life are accounted for by changing the amortisation period or method, which is a change in an accounting estimate. Amortisation expense is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

(o) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the balance date which are classified as non-current assets. Loans and receivables are included in receivables in the consolidated statement of financial position.

Recognition and derecognition

Regular purchases and sales of financial assets are recognised on trade date, the date on which the Group commits to purchase or sell the asset.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method.

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(p) Interests in joint arrangements

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement, have rights to assets, and obligations for the liabilities of the joint arrangement. Joint control is the contractual agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The Group accounts for its share of the joint operation assets, and liabilities it has incurred, its share of any liabilities jointly incurred with other ventures, income from the sale or use of its share of the joint operation's output, together with its share of the expenses incurred by the joint operation, and any expenses it incurs in relation to its interest in the joint operation.

(q) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependant on the use a specific asset or assets and the arrangement conveys a right to use the asset.

Leases under which the lessor retains substantially all of the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognised in the consolidated statement of comprehensive income on a straight-line basis over the lease term.

(r) Trade and other payables

Trade and other payables are carried at amortised cost and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of the goods and services.

(s) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of comprehensive income net of any reimbursement.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. The increase in the provision resulting from the passage of time is recognised in finance costs.

Employee leave benefits

Short term benefits

Liabilities for wage and salaries, including non-monetary benefits and certain annual leave entitlements expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' service up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(s) Provisions (cont)

Long term benefits

The liability for long service leave and certain annual benefits are recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date in national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(t) Share-based payment transactions

The Group provides benefits to employees (including directors) of, and consultants to, the Group in the form of share-based payment transactions, whereby services are rendered in exchange for shares or rights over shares ('equity-settled transactions'). The Board adopted the Long Term Incentive Plan on 13th September 2011.

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value of options and performance rights with market based performance criteria is determined using a binomial option pricing model. The fair value of performance plan rights with non-market performance criteria is determined by reference to the Company's share price at date of grant.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance conditions are fulfilled, ending on the date on which the recipient becomes fully entitled to the award ('vesting date').

The cumulative expense recognised for equity-settled transactions at each reporting date until vesting date reflects (i) the extent to which the vesting period has expired and (ii) the number of awards that, in the opinion of the directors, based on the best available information at balance date, will ultimately vest. No adjustment is made for the likelihood of market conditions being met as the effect of these conditions is included in determination of fair value at grant date. The charge or credit for the period represents the movement in cumulative expense recognised as at the beginning and end of the period.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified. In addition, an expense is recognised for any increase in the value of the transaction as a result of the modification, as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new award is substituted for the cancelled award, and designated as a replacement award on the date that it is granted, the cancelled and new award are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share.

(u) Contributed equity

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(v) Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

Interest income is recognised as it accrues using the effective interest method.

(w) Income tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted by the reporting date.

Deferred income tax is provided on all temporary differences at balance date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; or

- when the taxable temporary difference is associated with investments in subsidiaries, associates or interests in joint ventures, and the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry-forward of unused tax assets and unused tax losses can be used, except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- when the deductible temporary differences is associated with investments in subsidiaries, associates or interests in joint ventures, in which case a deferred tax asset is only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be applied.

The carrying amount of deferred income tax assets is reviewed at each balance date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it is has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the balance date.

Deferred tax assets and deferred tax liabilities are offset only if a legally enforceable right of set off exists to set off current tax assets against current liabilities and the deferred tax assets and liabilities relate to the same taxable entity and the same taxable authority.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the consolidated statement of comprehensive income.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(w) Income tax (cont)

Tax consolidation legislation

MEO Australia Limited and its wholly owned subsidiaries have implemented the tax consolidation legislation as of 1st July 2004.

The head entity, MEO Australia Limited and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current tax and deferred taxes to allocate to members of the tax consolidated group.

In addition to its own current and deferred tax amounts, MEO Australia Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(x) Goods and services tax

Revenues, expenses and assets are recognised net of GST, except receivables and payables which are stated with GST included. Where GST incurred on a purchase of goods or services is not recoverable from the taxation authority, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the consolidated statement of financial position.

Cash flows are included in the Consolidated Statement of Cash Flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(y) Earnings per share

Basic earnings per share is calculated as net profit/(loss) attributable to members divided by the weighted average number of ordinary shares.

Diluted earnings per share is calculated as net profit/(loss) attributable to members divided by the weighted average number of ordinary shares and dilutive potential ordinary shares.

(z) Parent entity financial information

The financial information for the parent entity, MEO Australia Limited, disclosed in note 24 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less accumulated impairment losses in the financial statements of MEO Australia Limited.

NOTE 3 SEGMENT INFORMATION

The Group's reportable segments are confined to development of methanol and LNG projects and oil and gas exploration.

The following tables represent revenue, profit/(loss) information and certain asset and liability information regarding operating segments for the years ended 30 June 2014 and 30 June 2013.

BUSINESS SEGMENTS	METHANOL & LNG DEVELOPMENT		OIL & GAS EXPLORATION		CONSOLIDATED	
	2014	2013	2014	2013	2014	2013
	$	$	$	$	$	$
Revenue:						
Interest and other income					293,425	1,005,266
Total consolidated income					**293,425**	**1,005,266**
Result:						
Segment loss	-	(278,055)	(129,443,520)	(60,443,484)	(129,443,520)	(60,721,539)
Non-segment revenue/(expenses):						
- Interest and other income					293,425	1,005,266
- Net administration costs					(6,498,867)	(7,697,729)
Share of losses of an associate					(29,142)	-
Gain on disposal of associate					215,871	-
Impairment on available for sale financial assets					(215,871)	-
Foreign exchange (losses)/gains					(76,872)	435,129
Loss before income tax					(135,754,976)	(66,978,873)
Income tax expense					(155,495)	(231,221)
Net loss for the year					**(135,910,471)**	**(67,210,094)**

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 12.

NOTE 4 NET ADMINISTRATION EXPENSES

	Consolidated	
	2014	2013
	$	$
Consultants fees and expenses	479,458	1,345,291
Directors remuneration (excluding share based payments)	274,232	320,073
Salaries and on-costs	4,376,581	4,645,372
Share based payments	140,818	641,911
Administration and other expenses	634,934	739,948
Audit costs	90,500	94,000
Securities exchange, share registry and reporting costs	157,933	192,940
Operating lease expenses	537,611	513,021
Investor relations and corporate promotion costs	54,215	321,023
Travel costs	359,478	674,619
Depreciation and amortisation expense	599,415	624,549
Gross administration costs	7,705,175	10,112,747
Less allocation to exploration activities	(1,206,308)	(2,415,018)
Net administration costs	**6,498,867**	**7,697,729**

NOTE 5 INCOME TAX

Statement of Comprehensive Income	**Consolidated**	
	2014	**2013**
	$	**$**
Current income tax		
Current income tax (expense)/credit	(2,841,797)	2,675,743
Tax losses (not recognised as not probable)/ recognised as now probable	(36,632,926)	(5,197,368)
	(39,474,723)	(2,521,625)
Deferred income tax		
Relating to origination and reversal of temporary differences	39,319,228	2,290,404
	39,319,228	2,290,404
Income tax expense reported in the Statement of Comprehensive Income	(155,495)	(231,221)

	Consolidated	
	2014	**2013**
	$	**$**
Statement of Changes in Equity		
Deferred income tax related to items charged or credited directly to equity		
Share issue costs	56,146	139,474
Share issue costs not recognised as not probable	(33,687)	(83,684)
Amount recognised in respect of prior years share issue costs now considered probable	133,036	175,431
Income tax benefit reported in equity	155,495	231,221

	Consolidated	
	2014	**2013**
	$	**$**

Tax Reconciliation
A reconciliation between tax expense and the product of accounting profit before income tax multiplied by the Group's applicable income tax rate is as follows:

Accounting loss before tax	(135,754,976)	(66,978,873)
At the Group's statutory 30% tax rate (2013: 30%)	40,726,493	20,093,662
Share based payment expense	(42,245)	(192,573)
Non-deductible expenses	(1,959)	(4,355)
Difference in overseas tax rates	(4,840,061)	(14,930,587)
Tax losses (not brought to account) / brought to account	(35,997,723)	(5,197,368)
Income tax expense reported in the Statement of Comprehensive Income	(155,495)	(231,221)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 5 INCOME TAX (cont)

Deferred Income Tax	Statement of Financial Position		Income Statement	
	2014	2013	2014	2013
	$	$	$	$
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Interest receivable	(10,535)	(15,220)	4,685	79,720
Exploration and evaluation costs	(3,388,382)	(42,935,830)	39,547,448	2,343,757
Gross deferred income tax liabilities	(3,398,917)	(42,951,050)		
Deferred tax assets				
Investment in associate	-	274,500	(274,500)	-
Accruals	165,932	137,228	28,704	(172,253)
Provisions	165,282	152,391	12,892	39,180
Share issue costs	189,183	314,905	-	-
Temporary differences not recognised as not probable	(33,687)	(83,684)	-	-
Tax losses (not brought to account)/brought to account to offset net deferred tax liability	2,912,207	42,155,710	(39,474,724)	(2,521,625)
Gross deferred income tax assets	3,398,917	42,951,050		
Net deferred tax asset	-	-		
Deferred tax expense			(155,495)	(231,221)

Tax consolidation

(i) Members of the tax consolidated group

MEO Australia Limited and its 100% owned Australian resident subsidiaries formed a tax consolidated group with effect from 1 July 2004. MEO Australia Limited is the head entity of the tax consolidated group.

(ii) Tax effect accounting by members of the tax consolidated group

Measurement method adopted under UIG 1052 Tax Consolidated Accounting

The head entity and the controlled entities in the tax consolidated group continue to account for their own current and deferred tax amounts. The Group has applied the group allocation approach in determining the appropriate amount of current taxes and deferred taxes to allocate to members of the tax consolidated group. The current and deferred tax amounts are measured in a systematic manner that is consistent with the principles in AASB 112 *Income Taxes.*

In addition to its own current and deferred tax amounts, the head entity also recognises current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

Tax losses

At balance date, the Group has estimated unused gross tax losses of $152.0 million (2013: $161.5 million) that are available to offset against future taxable profits subject to continuing to meet relevant statutory tests. To the extent that it does not offset a net deferred tax liability, a deferred tax asset has not been recognised in the accounts for these unused losses because it is not probable that future taxable profit will be available to use against such losses.

NOTE 6 EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share amounts are calculated by dividing net loss for the year attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year.

Diluted earnings/(loss) per share amounts are calculated by dividing the net loss attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

For the year ended 30 June 2014 and for the comparative period, there are no dilutive potential ordinary shares as conversion of share options would decrease the loss per share and hence are non-dilutive as the share options were out of the money at year end.

The following data was used in the calculations of basic and diluted loss per share:	Consolidated	
	2014	**2013**
	$	**$**
Net loss	(135,910,471)	(67,210,094)
	Shares	**Shares**
Weighted average number of ordinary shares used in calculation of basic and diluted loss per share	643,469,361	596,978,632

There have been no transactions involving ordinary shares or potential ordinary shares that would significantly change the number of ordinary shares or potential ordinary shares outstanding between the reporting date and the date of completion of these financial statements.

NOTE 7 CASH AND CASH EQUIVALENTS

	Consolidated	
	2014	**2013**
	$	**$**
Cash at bank and in hand	4,342,455	867,945
Short term deposits	11,647,417	15,734,904
	15,989,872	16,602,849

Cash at bank earns interest at floating rates based on daily bank rates. Short term deposits are made for varying maturities depending on the immediate cash requirements of the Group, and earn interest at the respective short term deposit rates.

$3,721,735 of cash represents MEO's share of cash held in bank accounts of the unincorporated joint ventures set out in Note 23, to be used for approved expenditure within those joint ventures, subject to the approval of the relevant joint venture partners.

NOTE 8 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2014	**2013**
	$	**$**
Goods and services tax refund	103,338	18,566
Interest receivable	35,117	50,734
Other	272,435	233,537
	410,890	302,837

At balance date, there are no trade receivables that are past due but not impaired. Due to the short term nature of these receivables, their carrying value approximates fair value. Trade receivables are non-interest bearing and are generally on 30-90 day terms. Details regarding the credit risk of current receivables are disclosed in note 18.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

NOTE 9 INVESTMENT IN ASSOCIATE

	Consolidated 2014 $	Consolidated 2013 $
Investment - unlisted entity	-	-

Movements in the carrying value of the Group's investment in associate

Investment in associate	944,142	915,000
Cumulative share of losses after tax	(944,142)	(915,000)

In February 2014, the investment in associate was sold for shares in Canadian listed company, Lignol Energy Corporation. The value of the Lignol shares acquired at the time of the sale was $215,871.

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment

	Consolidated 2014 $	Consolidated 2013 $
Plant and Equipment		
At cost	659,522	651,527
Accumulated depreciation	(464,501)	(309,405)
	195,021	342,122
Motor Vehicles		
At cost	264,455	264,455
Accumulated depreciation	(99,071)	(66,105)
	165,384	198,350
Leasehold Improvements		
At cost	769,069	769,069
Accumulated depreciation	(326,795)	(172,981)
	442,274	596,088
Total Property, Plant and Equipment	**802,679**	**1,136,560**
Movement in Plant and Equipment		
Net carrying amount at beginning of year	342,122	489,852
Additions	7,995	29,032
Disposals	-	-
Depreciation	(155,096)	(176,762)
	195,021	342,122
Movement in Motor Vehicles		
Net carrying amount at beginning of year	198,350	231,316
Additions	-	-
Depreciation	(32,966)	(32,966)
	165,384	198,350
Leasehold Improvements		
Net carrying amount at beginning of year	596,088	748,641
Additions	-	1,232
Depreciation	(153,814)	(153,785)
	442,274	596,088
Net carrying amount at end of year	**802,679**	**1,136,560**

The useful life of the plant and equipment is estimated for 2014 and 2013 is 3 to 15 years.
The useful life of the motor vehicle is estimated for 2014 and 2013 is 8 years.
The useful life of the leasehold is estimated for 2014 and 2013 is 5 years.

NOTE 11 INTANGIBLE ASSETS

	Consolidated 2014 $	Consolidated 2013 $
Software licences at cost	1,229,888	1,205,728
Accumulated amortisation	(955,654)	(698,115)
	274,234	507,613
Movement in Intangibles		
Net carrying amounts at beginning of year	507,613	747,755
Additions	24,160	20,894
Amortisation	(257,539)	(261,036)
Net carrying amount at end of year	274,234	507,613

The useful life of the intangibles is estimated as 4 years.

NOTE 12 EXPLORATION AND EVALUATION COSTS

	Consolidated 2014 $	Consolidated 2013 $
Balance at beginning of year	143,119,433	150,329,325
Expenditure for the year	3,254,705	53,233,592
Proceeds from farm-out of 50% interest in WA-454-P	(5,600,000)	-
Expenditure written-off during the year	(129,443,520)	(60,443,484)
	11,330,618	143,119,433

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 30 June 2014 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.

The exploration write-off for the financial year is $129,443,520 which is mainly due to the write-off of $113,192,731 relating to the Heron and Blackwood Areas of Interest in NT/P68 following the unsuccessful drilling result from Blackwood-2, the write-off of $3,294,747 relating to Gulf of Thailand Concession G2/48 as a result of withdrawal from the Concession in January 2014 and the write-off of $12,838,790 relating to the Seruway Production Sharing Contract in Indonesia.

Capitalised exploration and evaluation costs at 30 June 2014 are $11,330,618 (June 2013: $143,119,433) which relate to the following:-

Area of Interest	**30 June 2014**	**30 June 2013**
NT/P68	-	$113,043,670
AC/P50 & AC/P51	$8,273,013	$8,234,566
WA-454-P	$1,777,754	$7,287,764
Seruway & South Madura PSC’s	-	$11,543,646
Gulf of Thailand Concession G2/48	-	$2,867,433
Puka, New Zealand	$756,946	-
WA-488-P	$522,905	142,354
TOTAL	**$11,330,618**	**$143,119,433**

NOTE 13 AVAILABLE-FOR-SALE (AFS) FINANCIAL ASSETS

	Consolidated	
	2014	**2013**
At fair value	**$**	**$**
Shares – Canadian listed	**-**	**-**

Available-for-sale assets consist of investment in ordinary shares, and therefore have no fixed maturity date or coupon rate.

Listed shares

The AFS financial asset is an investment in a listed equity. The fair value of the equity shares is determined by reference to published price quotations in an active market.

Impairment on AFS financial assets

The Group assesses at each reporting date whether there is objective evidence that an investment or a group of investments is impaired. In the case of equity investments classified as AFS, objective evidence would include a significant or prolonged decline in the fair value of the investment below its cost. The determination of what is 'significant' or 'prolonged' requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost. Based on this assessment, the Company identified an impairment of $215,871. The fair value movement on AFS financial assets is recognised in the available for sale reserve through other comprehensive income and subsequently transferred to the statement of profit or loss upon the determination that the investment is impaired.

NOTE 14 TRADE AND OTHER PAYABLES

	Consolidated	
	2014	**2013**
	$	**$**
Trade and other payables	1,528,895	1,350,817

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

NOTE 15 PROVISIONS

	Consolidated	
	2014	**2013**
	$	**$**
CURRENT		
Employee benefits		
Annual leave entitlement	188,397	225,175
Long service leave entitlement	52,662	-
	241,059	225,175
NON-CURRENT		
Employee benefits		
Long service leave entitlement	309,882	282,795

NOTE 16 CONTRIBUTED EQUITY AND RESERVES

	Consolidated			
	2014 Shares	**2014 $**	**2013 Shares**	**2013 $**
ISSUED AND PAID UP CAPITAL				
Ordinary shares	750,488,387	262,367,184	627,264,587	259,934,368

	2014 Shares	**2014 $**	**2013 Shares**	**2013 $**
Movements in Ordinary Shares				
Balance at beginning of year	627,264,587	259,934,368	539,913,260	240,861,060
Share Issues:				
Placement of shares at $0.245 per share	-	-	40,816,327	10,000,000
Share Purchase Plan shares at $0.20 per share	-	-	46,535,000	9,307,000
Share Purchase Plan shares at $0.02 per share	123,223,800	2,464,476	-	-
Transaction costs (net of tax)	-	(31,660)	-	(233,692)
Balance at end of year	750,488,387	262,367,184	627,264,587	259,934,368

(a) Terms and Condition of Ordinary Shares

Ordinary shares entitle their holder to receive dividends as declared. In the event of winding up the Company, ordinary shares entitle their holder to participate in the proceeds from the sale of all surplus assets in proportion to the number of and amounts paid up or which should have been paid up on shares held. Each ordinary share entitles the holder to one vote, either in person or by proxy, at a meeting of the Company. Ordinary shares issued during the year and since the end of the year, from date of issue rank equally with the ordinary shares on issue.

(b) Share Options and Performance Rights

At 30 June 2014 16,530,000 options over unissued shares granted to directors, executives and consultants were outstanding and 350,000 share performance rights granted to the managing director and chief executive officer were outstanding. The options and share performance rights are granted pursuant to the Senior Executives and Officers Option Plan, details of which are set out in note 21.

(c) Capital Management

Capital is defined as equity. When managing capital, management's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits of other stakeholders. All methods of returning funds to shareholders outside of dividend payments or raising funds are considered within the context of the Company's objectives.

The Group will seek to raise further capital, if required, as and when necessary to meet its projected operations. The decision of how the Group will raise future capital will depend on market conditions existing at that time. It is the Group's plan that this capital will be raised by any one or a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares to the public. Should these methods not be considered to be viable, or in the best interests of shareholders, then it would be the Company's intention to meet its obligations by either partial sale of the Company's interests or farmout, the latter course of action being part of the Company's overall strategy.

NOTE 16 CONTRIBUTED EQUITY AND RESERVES (cont)

ACCUMULATED LOSSES

	Consolidated	
	2014	**2013**
	$	**$**
Balance at beginning of year	(103,855,482)	(36,645,388)
Net loss for the year	(135,910,471)	(67,210,094)
Transfer from share based payments reserve - cost of equity instruments expired unexercised	147,431	-
Balance at end of year	(239,618,522)	(103,855,482)

The Group is not subject to any externally imposed capital requirements.

OTHER RESERVES

	Consolidated		
	***Share based payments reserve**	****Foreign currency translation reserve**	**Total**
	$	$	$
At 1 July 2012	**1,054,775**	**351,397**	**1,406,172**
Cost of share based payments	641,911	-	641,911
Exchange differences on translation of foreign operations	-	1,683,536	1,683,536
At 30 June 2013	**1,696,686**	**2,034,933**	**3,731,619**
Cost of share based payments	140,818	-	140,818
Cost of unvested expired equity instruments transferred to accumulated losses	(147,431)	-	(147,431)
Exchange differences on translation of foreign operations	-	254,789	254,789
At 30 June 2014	**1,690,073**	**2,289,722**	**3,979,795**

** Share based payments reserve*
The share based payment reserve is used to record the value of share based payments provided to employees and contractors, including KMP's as part of their remuneration. Refer to note 21 for further details of the plan.

**** Foreign currency translation reserve*
The foreign currency translation reserve is used to record exchange differences for the translation of the financial statements of foreign subsidiaries. It is also used to record the effect of hedging net investments in foreign operations.

NOTE 17 CASH FLOW STATEMENT RECONCILIATION

Reconciliation of net loss after tax to net cash flows used in operating activities

	Consolidated	
	2014	**2013**
	$	**$**
Net (loss)/profit	(135,910,471)	(67,210,094)
Adjustments for:		
Share of losses of an associate	29,142	-
Gain on disposal of associate	(215,871)	-
Impairment on available for sale financial assets	215,871	-
Exploration expenditure written-off	129,443,520	60,443,484
Depreciation and amortisation	599,415	624,549
Share based payments	140,818	641,911
Exchange rate adjustments	76,872	(435,129)
Deferred income tax expense	155,495	231,221
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	36,789	(379,963)
(Decrease)/increase in trade and other payables	(191,864)	(86,725)
(Decrease)/increase in provisions	42,971	130,601
Net cash flows (used in) operating activities	**(5,577,313)**	**(6,040,145)**

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, comprise cash and short term deposits, the main purpose of which is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables, trade payables and available for sale asset, which arise directly from its operations. The main risks arising from the Group's financial instruments are credit risk, interest rate risk, exchange rate risk and liquidity risk. The Board of Directors has reviewed each of those risks and has determined that they are not significant in terms of the Group's current activities. The Group also enters into derivative financial instruments, principally forward currency contracts. The purpose is to manage the currency risks arising from the Group's operations. Speculative trading in derivatives is not permitted. There are no derivatives outstanding at 30 June 2014 (2013: $nil).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the consolidated financial statements.

Credit risk

The Group trades only with recognised, creditworthy third parties. Receivable balances are monitored on an ongoing basis with the results being that the Group's exposure to bad debts is not significant.

Credit risk arises from the financial assets of the Group, which comprise cash and cash equivalents and trade and other receivables. The Group's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. No collateral is held as security. Exposure at balance date is the carrying value as disclosed in each applicable note.

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont)

Interest rate risk

The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's cash and cash equivalents with a floating interest rate:

	Consolidated	
	2014	**2013**
	$	**$**
Cash and cash equivalents	15,989,872	16,602,849

Short term deposits are made for varying periods depending on the immediate cash requirements of the group, and earn interest at the respective short term deposit rates.

Taking into account past performances, future expectations, economic forecasts, and management's knowledge and experience of the financial markets, the group believes that -/+ 1.0% from the year-end Australian rates of 3.5% (2013: 3.5%) represents the 'reasonably possible' movement interest rates over the next 12 months. The following is the impact of this on the profit or loss with all other variables including foreign exchange rates held constant:

	Consolidated Net Profit	
	2014	**2013**
	$	**$**
+1.0% (100 basis points) increase/decrease in interest rates with all other variables held constant	59,000	81,000
-1.0% (100 basis points) increase/decrease in interest rates with all other variables held constant	(59,000)	(81,000)

There is no impact on equity other than the above net profit sensitivities on retained earnings/accumulated losses.

Foreign currency risk

The Group's exposure to exchange rate risk relates primarily to trade payables and cash denominated in US dollars. Where a payable is significant, US dollars are purchased on incurring the liability or commitment. The Group also manages its currency risk through the active management of its exposures. This includes entering into various forward currency contracts throughout the year. At balance date and at 30 June 2013, all the contracts were closed.

The Group's exposure to its unhedged financial assets and liabilities is as follows:

	Consolidated	
	2014	**2013**
USD	**$**	**$**
Cash	5,902,681	7,851,964
Total Financial Assets	5,902,681	7,851,964
	2014	**2013**
	$	**$**
Trade Creditors	45,395	624,463
Total Financial Liabilities	45,395	624,463

NOTE 18 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont)

The following sensitivity analysis is based on the foreign currency risk exposure in existence at the balance date, with all other variables remaining constant:

	Consolidated Net Profit	
	2014 $	2013 $
10% strengthening in AUD/USD rate (for 2014 from 0.9420 to 1.0362 and for 2013 from 0.9275 to 1.02025) with all other variables held constant	(565,266)	(708,405)
10% weakening in AUD/USD rate (for 2014 from 0.9420 to 0.8478 and 2013 from 0.9275 to 0.83475) with all other variables held constant	690,881	865,828

A sensitivity of 10% has been selected as this is considered reasonable given the current level of exchange rates and the volatility observed both on a 5 year historical basis and market expectations for potential future movement.

There is no impact on equity other than the above net profit sensitivities on retained earnings/accumulated losses.

Liquidity Risk

The Group's exposure to financial obligations relating to corporate administration and exploration expenditure, are subject to budgeting and reporting controls, to ensure that such obligations do not exceed cash held and known cash inflows for a period of at least 1 year.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has built in an appropriate liquidity risk framework for the management of the Group's short, medium and longer term funding and liquidity management requirements. The Group manages liquidity risk by maintaining adequate equity funding through the monitoring of future cash flow forecasts of its operations, which reflect management's expectations of the settlement of financial assets and liabilities.

The Group has limited financial resources and will need to raise additional capital from time to time and such fund raisings may be subject to factors beyond the control of the Company and its directors. When MEO requires further funding for its programs, then it is the Company's intention that the additional funds will be raised by any one or a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding options, and/or a further issue of shares to the public. Should these methods not be considered to be viable, or in the best interests of shareholders, then it would be the Company's intention to meet its obligations by either partial sale of the Company's interests or farmout, the latter course of action being part of the Company's overall strategy.

Maturity Analysis

At balance date, the group holds $1,528,895 (2013: $1,350,817) of financial liabilities consisting of trade and other payables. All financial liabilities have a contractual maturity of 30 days.

Fair Values

The fair values of the financial assets and liabilities approximate the carrying values in the statement of financial position.

NOTE 19 COMMITMENTS AND CONTINGENCIES

Commitments

	Consolidated 2014 $	2013 $
Operating Lease		
Future minimum rentals payable under operating lease for office premises at balance date:		
Payable not later than one year	676,024	517,704
Payable later than one year but not later than five years	771,058	1,240,665
	1,447,082	1,758,369

Exploration Commitments

- NT/P68 (MEO 50%)

In February 2010, NT/P68 was renewed for a further five years with the minimum commitment being the three year primary term ending 26th April 2013. The minimum work requirements during the primary term have been satisfied.

On commencement of the fourth permit year the secondary work program becomes guaranteed on a year by year basis. Once a year has commenced, the permit holders must complete all the work specified for that year.

Year 5 Permit obligation, commencing 26th April 2014, consists of geotechnical studies. The geotechnical study costs will be paid by joint venture partner, Eni Australia Limited.

-WA-360-P (MEO 62.5%)

WA-360-P was renewed for a further five year period with the minimum commitment being the three year primary term ending 5th March 2015. Permit Year 3 (ending 5 March 2015) work program is geotechnical studies.

-WA-361-P (MEO 50%)

WA-361-P was renewed for a further five year period with the minimum commitment being the three year primary term ending 30th January 2014. The minimum work requirements during the primary term have been satisfied.

On commencement of the fourth permit year the secondary work program becomes guaranteed on a year by year basis. Once a year has commenced, the permit holders must complete all the work specified for that year.

Year 4 Permit obligation, commencing 31st January 2014, consists of geotechnical studies. Year 5 Permit obligation, commencing 31st January 2015 also consists of geotechnical studies.

- AC/P53 (MEO 100%)

In July 2011, MEO was awarded AC/P53 for a six year period with a minimum commitment being the three year primary term ending 6th July 2014. The minimum work requirements during the primary term have been satisfied.

On commencement of the fourth permit year the secondary work program becomes guaranteed on a year by year basis. Permit Year 4 (ending 6th July 2015) work program consists of geotechnical studies.

NOTE 19 COMMITMENTS AND CONTINGENCIES (cont)

-AC/P50 (MEO 100%)

AC/P50 entered into the secondary term (permit years 4-6) of their six year permit term on 21st April 2012. The secondary work program becomes guaranteed on a year by year basis, once a permit year has commenced all work specified for that year must be completed. In April 2014, government approval was received to vary the Permit Year 6 work program (ending 20 April 2015) by replacing the well commitment with geotechnical studies.

-AC/P51 (MEO 100%)

AC/P51 entered into the secondary term (permit years 4-6) of their six year permit term on 21st April 2012. The secondary work program becomes guaranteed on a year by year basis, once a permit year has commenced all work specified for that year must be completed. In April 2014, government approval was received to vary the Permit Year 6 work program (ending 20th April 2015) by replacing the well commitment with geotechnical studies.

- WA-454-P (MEO 50%)

In June 2011, MEO was awarded WA-454-P for a six year period with a minimum commitment being the three year primary term ending 8th June 2014. The minimum work requirements during the primary term have been satisfied. On commencement of the fourth permit year the secondary work program becomes guaranteed on a year by year basis. The secondary work program consists of Permit Year 4 (ending 8th June 2015) - geotechnical studies, Permit Year 5 (ending 8th June 2016) – exploration well and Permit Year 6 (ending 8th June 2017) – geotechnical studies.

- WA-488-P (MEO 100%)

In May 2013, MEO was awarded WA-488-P for a six year period with a minimum commitment being the three year primary term ending 21 May 2016. The Permit Year 1 work program (ending 21st May 2014) is 400km 2D seismic reprocessing; Permit Year 2 work program (ending 21st May 2015) is geological studies and Permit Year 3 work program (ending 21st May 2016) is an exploration well.

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

The 10th and final contract year of the PSC ends 11th December 2014.

- PEP51153 (MEO 30% interest on completion of Puka-3 exploration well)

In September 2008, New Zealand onshore exploration permit, PEP51153 was granted to Kea Oil and Gas Limited for a period of 10 years. PEP51153 consists of two Areas, Area A (containing the Puka oil discovery) and Area B. PEP51153 is currently in Permit Year 6 which ends 22 September 2014. The Year 7 work programme for Area A is the acquisition, processing and interpretation of a minimum of 7kms of 2D seismic data. The Company expects that Area B will be relinquished prior to entering Year 7.

There are no material commitments or contingencies other than as set out in this note.

Summary

MEO’s share of total committed exploration expenditure is estimated to be $21.2 million of which $1.2 million is estimated to be payable within one year and $20.0 million is expected to be payable after one year but not more than five years.

NOTE 20 RELATED PARTY DISCLOSURES

Subsidiaries

The consolidated financial statements include the financial statements of MEO Australia Limited, and the following subsidiaries.

	Country of Incorporation	% Equity Interest 2014	2013
		%	%
North West Shelf Exploration Pty Ltd	Australia	100	100
Methanol Australia Pty Ltd	Australia	100	100
LNG Australia Pty Ltd	Australia	100	100
TSP Arafura Petroleum Pty Ltd	Australia	100	100
Oz-Exoil Pty Ltd	Australia	100	100
Innovative Energy Pty Ltd	Australia	100	100
Offshore Methanol Pty Ltd	Australia	100	100
Gastech Systems Pty Ltd	Australia	100	100
Vulcan Exploration Pty Ltd	Australia	100	100
MEO International Pty Ltd*	Australia	100	100
Drysdale Offshore Exploration Pty Ltd	Australia	100	100
Finniss Offshore Exploration Pty Ltd	Australia	100	100
Seruway Offshore Exploration Limited	British Virgin Islands	100	100
Rayong Offshore Exploration Limited	British Virgin Islands	100	100
MEO Malaysia Pty Ltd	Australia	100	100
MEO New Zealand Pty Limited**	New Zealand	100	-

*MEO International Pty Ltd holds:-

- a 100% interest in Seruway Offshore Exploration Limited which in turn holds a 100% interest in the Seruway Production Sharing Contract in Indonesia.
- a 100% interest in MEO Malaysia Pty Ltd.
- a 100% interest in MEO New Zealand Pty Limited
- a 100% interest in Rayong Offshore Exploration Limited

**MEO New Zealand Pty Limited was incorporated in 24th March 2014.

Compensation of key management personnel by category:

	Consolidated 2014	2013
	$	$
Short term employee benefits and fees	1,998,957	2,263,428
Post employment benefits	179,848	158,180
Share-based payments	95,828	318,116
Long service leave	49,267	26,571
	2,323,900	2,766,295

During the year fees for consulting services were paid by the Group to entities controlled by directors as follows:

Director	Consulting Services Fees Paid 2014	2013	Outstanding at Balance Date 2014	2013
	$	$	$	$
G A Short	-	4,750	-	-

NOTE 21 SHARE BASED PAYMENT PLANS

MEO Long Term Incentive Plan

Share Options

There were no share options granted to senior executives and non-executive directors during the financial year (2013: Nil). Each share option is an option to acquire one ordinary share in the Company. Any new shares which are issued in satisfaction of options will be issued at the prevailing market price at the time of issue.

Movements in share options on issue during the year:

	2014 Options	**2013 Options**
Outstanding at the beginning of the year	18,855,000	18,855,000
Granted during the year	-	-
Forfeited during the year	2,325,000	-
Exercised during the year	-	-
Outstanding at the end of the year	16,530,000	18,855,000
	=======	=======

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

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

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

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

  There was no expense in the year relating to these share options (2013: $10,125).

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

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

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

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

  The total amount expensed in the year relating to these share options was $8,663 (2013: $49,774).

NOTE 21 SHARE BASED PAYMENT PLANS (cont)

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

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

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

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

  The total amount expensed in the year relating to these share options was $24,727 (2013: $98,140).

- In October 2011, 3,000,000 share options were granted to the Managing Director and Chief Executive Officer exercisable at a price of 50 cents per option on or before 1 July 2016. The options vest 1/3rd on 1 July 2012, 1/3rd on 1 July 2013 and 1/3rd on 1 July 2014.

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

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

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

  The total amount expensed in the year relating to these share options was $30,000 (2013: $70,500).

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

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

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

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

  The total amount expensed in the year relating to these share options was $20,784 (2013: $170,185).

NOTE 21 SHARE BASED PAYMENT PLANS (cont)

- In April 2012, 1,500,000 share options were granted to an executive exercisable at a price of 50 cents per option on or before 3 April 2017. These options vest 50% on 3 April 2013 and 50% on 3 April 2014.

  The fair value of the options at date of grant was estimated to be 18.59 cents for the options vesting on 3 April 2013 and 20.14 cents for options vesting on 3 April 2014. The fair value was determined using a Binomial pricing model, taking into account the terms and conditions upon which the options were granted, and using the following inputs to the model:

Expected volatility	94%	Contractual life (years)	5
Risk-free interest rate	3.4%	Dividend yield	0%

  Early exercise multiple/estimated life for options expiring 3 April 2013 – 3.0 years
  Early exercise multiple/estimated life for options expiring 3 April 2014 – 3.5 years

  The total amount expensed in the year relating to these share options was $56,644 (2013: $180,094).

Share Performance Rights

In November 2012, 1,050,000 share performance rights were granted to the Managing Director & Chief Executive Officer. 700,000 share performance rights have subsequently been forfeited as the 2013 and 2014 share price hurdles were not achieved. The remaining 350,000 share performance rights will be deemed achieved on the condition that the Volume Weighted Average Share Price remains at $1.00 in financial year 2014/2015 for 30 continuous days.

Any new shares which are issued upon satisfaction of the performance rights will be issued at the prevailing market price at the time of issue.

Movements in share performance rights on issue during the year:

	2014 Rights	**2013 Rights**
Outstanding at the beginning of the year	700,000	-
Granted during the year	-	1,050,000
Forfeited during the year	(350,000)	(350,000)
Exercised during the year	-	-
Outstanding at the end of the year	350,000	700,000

NOTE 22 AUDITORS' REMUNERATION	**Consolidated 2014 $**	**Consolidated 2013 $**
Amounts received or due and receivable by Ernst & Young (Australia) for:		
Audit or review of the financial reports	90,500	94,000
Tax services in relation to the entity and other entities in the consolidated group	13,257	-
	103,757	94,000

NOTE 23 INTERESTS IN JOINT OPERATIONS

MEO Australia, through its wholly-owned subsidiaries, TSP Arafura Petroleum Pty Ltd and Oz-Exoil Pty Ltd, holds a 50% interest in the NT/P68 Joint Operation. The principal activity of the joint operation is the exploration, development and production of hydrocarbons.

MEO Australia, through its wholly-owned subsidiary - North West Shelf Exploration Pty Ltd, holds a 62.5% interest in WA-360-P and a 50% interest in WA-361-P. The principal activity of the joint operation is the exploration, development and production of hydrocarbons.

MEO Australia, through its wholly-owned subsidiary, MEO New Zealand Pty Limited, holds a 30% interest in the PEP51153 in New Zealand. The principal activity of the joint operation is the exploration, development and production of hydrocarbons.

MEO Australia, through its wholly-owned subsidiary - Drysdale Offshore Exploration Limited, holds a 50% interest in WA-454-P. The principal activity of the joint operation is the exploration, development and production of hydrocarbons.

Commitments related to joint operation assets

Commitments relating to the joint operation assets are set out in note 19 to the accounts.

Contingent liabilities

As at 30 June 2014, there are no contingent liabilities relating to NT/P68, WA-361-P, WA-360-P, WA-454-P or PEP51153.

NOTE 24 PARENT ENTITY INFORMATION

	2014	**2013**
Information relating to MEO Australia Limited	**$**	**$**
Current assets	12,360,297	16,320,033
Total assets	**22,606,268**	**148,593,508**
Current liabilities	706,525	677,783
Total liabilities	**1,016,407**	**960,578**
Issued capital	259,380,552	257,103,231
Share based payments reserve	1,690,073	1,696,686
Accumulated losses	(239,480,764)	(111,166,987)
Total shareholders' equity	**21,589,861**	**147,632,930**
Loss of the parent entity	(128,461,209)	(69,250,624)
Total comprehensive loss of the parent entity	(128,461,209)	(69,250,624)
Details of any guarantees entered into by the parent entity in relation to the debts of its subsidiaries	n/a	n/a
Details of any contingent liabilities of the parent entity	n/a	n/a
Details of any contractual commitments by the parent entity for the acquisition of property, plant or equipment.	n/a	n/a

NOTE 25 EVENTS SUBSEQUENT TO BALANCE DATE

On 7th August 2014, the Company announced an initiative to realise value from its strategic Tassie Shoal Methanol and LNG projects proposed for offshore Northern Australia. UBS was appointed to lead this process.

On 19th August 2014, the Company reported that the Puka-3 exploration well in onshore New Zealand permit PEP51153 was being plugged and abandoned after reaching a total depth of 2,200mMDRT. Based on evaluation of wireline logs, Puka-3 encountered a thicker than expected target Mount Messenger reservoir section, however the interval was predominantly water bearing, the oil water contact encountered significantly shallower than expected.

Other than the above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the Company, to affect significantly the operations of the Group, the results of those operations, or state of affairs of the Group, in future financial years.

MEO Australia Limited
ABN 43 066 447 952

DIRECTORS' DECLARATION

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

1. In the opinion of the Directors:

   (a) The financial statements and notes of MEO Australia Limited for the financial year ending 30 June 2014 are in accordance with the *Corporations Act* 2001, including:

   (i) Giving a true and fair view of the Company's and the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date;and.

   (ii) Complying with Accounting Standards (including the Australian Accounting Interpretations) and *Corporations Regulations* 2001.

   (b) The financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2 (a)(i).

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

2. This declaration has been made after receiving the declarations required to be made to the Directors from the Managing Director and Chief Executive Officer and Chief Financial Officer & Company Secretary in accordance with Section 295A of the *Corporations Act* 2001 for the financial year ended 30 June 2014.

On behalf of the Board

J HENDRICH
Managing Director & Chief Executive Officer
Melbourne, 17th September 2014

Building a better working world

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Independent auditor's report to the members of MEO Australia Limited

Report on the financial report

We have audited the accompanying financial report of MEO Australia Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the 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 financial report that is free from material misstatement, whether due to fraud or error. In Note 2(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit 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.

Opinion

In our opinion:

a. the financial report of MEO Australia Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(a).

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of MEO Australia Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Matthew A. Honey
Partner
Melbourne
17 September 2014