MEO AUSTRALIA LIMITED

ABN 43 066 447 952

HALF-YEAR FINANCIAL REPORT AND DIRECTORS' REPORT

31 DECEMBER 2013

Contents

Corporate Information

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

Company Secretary
Colin H Naylor

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

Securities Exchange Listing
ASX Limited
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525 Collins Street
Melbourne, Victoria 3000 Australia

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

Incorporated 14 September 1994
Victoria, Australia

Directors' report

The Directors of MEO Australia Limited (variously the "Company" and "MEO Australia") submit their report for the half-year ended 31 December 2013.

DIRECTORS

The Directors of the Company during the half-year ended 31 December 2013 and until the date of this report (in office for the entire period unless otherwise stated) are:

Chairman: Gregory A Short B.Sc (Geology) (Hons) Appointed Chairman 31st October 2013

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

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

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

Nicholas M Heath B.Eng (Chem) (Hons) retired as Chairman and Non-Executive Director on 31st October 2013.

REVIEW AND RESULTS OF OPERATIONS

The loss after tax for the half-year was $119,778,018 (Dec 2012: loss after tax $58,307,651) mainly due to exploration write-offs ($116,939,011) and net administration costs ($3,175,630).

The net loss after tax for the 2012 half year of $58,307,651 was mainly due to exploration write-offs ($53,883,926) and net administration costs ($4,483,814).

North West Shelf Exploration Permits, Carnarvon Basin, Western Australia

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

During the half year, the Company elected to seek to divest its interests in this permit together with the adjoining WA-361-P permit. Ananke-1 was drilled in the adjoining permit in the prior year targeting the same play concept as the Maxwell prospect. The unsuccessful result at Ananke-1 has increased the risks associated with the Maxwell prospect above MEO's risk tolerance threshold.

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

MEO began marketing its interest in the permit during the half year together with WA-360-P. Towards the end of the reporting period, MEO submitted a work program variation seeking to replace the exploration well in Permit Year 4 with studies. The variation request was granted subsequent to the end of the reporting period.

Petrel Sub-Basin

- **WA-454-P (MEO 50%)**

During the half, MEO executed a binding farmout agreement with Origin Energy ("Origin") whereby Origin acquired a 50% interest in the permit and assumed Operatorship following receipt of all regulatory approvals in relation to the transfer of interest. MEO received the first ½ of the $5.6 million in back costs for the permit and will receive the balance on 1st July 2014. Origin will pay for 80% of the proposed Permit Year 5 (commencing June 2015) well (notionally Breakwater-1), capped at $35 million.

Directors' report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

- **WA-488-P (MEO 100%)**

Following award of the permit in late May 2013, MEO fast-tracked its evaluation of the resource potential of the giant Beehive prospect in readiness for the partial sale process that kicked off in July 2013. Beehive is considered prospective for oil in two horizons. The upper Carboniferous aged reservoir target is considered analogous to the giant Tengiz oil field in the Caspian Sea, while the lower Ordovician aged reservoir has a giant field onshore China as a direct analogue. A well is currently required in Permit Year 3 commencing May 2015.

Bonaparte Basin

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

Blackwood-2 commenced drilling on 28th October and reached a total depth of 3,425mMDRT. A 60m core was cut through the target objective. Following evaluation by wireline logging tools the Operator elected to production test the well to determine fluid composition and reservoir productivity. DST#1 was conducted over a 20m interval from 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, setting the reference date for two outstanding options held by Eni.

The election date for the second Heron well was re-negotiated late in the half, from 18th December 2013 until 5 months after the completion date for Blackwood-2. This option now expires 3rd June 2014.

The option for Eni to increase its participating interest in the Blackwood area from 50% to 75% expires 180 days after the completion of Blackwood-2. This option now expires 2nd July 2014.

Notwithstanding the write-off of previously capitalised Heron and Blackwood exploration expenditure, the NT/P68 joint venture partners will hold a technical workshop during Q1 2014 to review the results of a number of studies undertaken by the Operator and also integrate the Blackwood-2 well information with existing geotechnical data to update the Blackwood resource assessment.

Vulcan Sub-Basin

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

During the half, MEO initiated partial sale processes for both permits, centered principally on AC/P51 which contains the "Ramble On" prospect identified by MEO on reprocessed Onnia 3D seismic data. Ramble On is a new play type for the region and naturally attracts a higher level of risk than a proven play in a Basin. In the event that oil can be proven at Ramble On, a number of leads along trend offer follow-up potential. Each permit has a discretionary well in the final year commencing April 2014, with a drill/drop election prior to entering the permit year.

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

Interpretation of the Zeppelin 2D seismic data acquired in early 2012 continued during the half year.

Indonesia

- **South Madura Production Sharing Contract (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.

[1] RedRock Energy Pte Ltd has an option to acquire a 5% carried interest in each permit. Refer MEO ASX release of 15th November, 2010.

Directors' report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

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

During the half, 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. The 2014 work program and budget has been approved and includes the drilling of a discretionary well. Discussions with the regulatory authorities regarding tenure issues indicated a mechanism whereby a 2 year extension could be granted to the PSC to allow time for the preparation of a Plan of Development (POD) in the event a 2014 well was drilled and made a discovery. If such an extension were granted, it would effectively be borrowed from the subsequent production licence term.

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 strong interest from prospective farminees, the process did not yield a commercially acceptable offer within the timeframe available. At the end of the 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. Subsequent to the end of the reporting period, Rayong advised the regulatory authorities that it would withdraw from the Concession unless the 2014 well and associated commitment could be transferred into 2015.

Tassie Shoal Development Projects

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

Tassie Shoal Methanol Project (TSMP, MEO 100%)

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

Two key wells were drilled on gas resources in close proximity to the Tassie Shoal site during the half.

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 projects for well over 20 years.

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.

During the half, in response to a request from Government stakeholders, 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.

Directors' report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Timor Sea LNG Project (TSLNGP, MEO 100%)

The TSLNGP requires approximately 3 Tcf of low CO_2 (<3%) gas to operate for 20 years. Gas supply for the LNG plant could come from one or more of the neighbouring undeveloped gas fields confronting economic challenges imposed by long distances from land and high domestic construction costs.

No material progress was achieved during the half for this project.

OTHER MATTERS

Auditor's Independence Declaration

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

Signed in accordance with a resolution of the Directors.

Jürgen Hendrich
Managing Director & Chief Executive Officer
Melbourne, 20th February 2014

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

In relation to our review of the financial report of MEO Australia Limited for the half-year ended 31 December 2013, 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
20 February 2014

Consolidated statement of comprehensive income
For the half-year ended 31 December 2013

	Notes	Consolidated	
		31/12/2013	**31/12/2012**
		$	**$**
Interest income		167,768	758,087
Total income		**167,768**	**758,087**
Net administration costs	4	(3,175,630)	(4,483,814)
Exploration expenditure written-off	6	(116,939,011)	(53,883,926)
Impairment on Available for Sale Financial Asset		(29,142)	-
Project expenditure		-	(264,135)
Foreign exchange gains/(losses)		264,515	(304,305)
Loss before income tax		**(119,711,500)**	**(58,178,093)**
Income tax expense		(66,518)	(129,558)
Net loss for the period		**(119,778,018)**	**(58,307,651)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		227,804	566,633
Other comprehensive income for the period, net of tax		**227,804**	**566,633**
Total comprehensive loss for the period		**(119,550,214)**	**(57,741,018)**
Basic loss per share (cents per share)		(19.10)	(10.28)
Diluted loss per share (cents per share)		(19.10)	(10.28)

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

Consolidated statement of financial position
As at 31 December 2013

		Consolidated	
	Note	**31/12/2013**	**30/06/2013**
CURRENT ASSETS		**$**	**$**
Cash and cash equivalents	5	15,741,346	16,602,849
Other receivables		3,231,577	302,837
TOTAL CURRENT ASSETS		18,972,923	16,905,686
NON-CURRENT ASSETS			
Property, plant and equipment		973,505	1,136,560
Intangible assets		399,939	507,613
Exploration and evaluation costs	6	21,944,783	143,119,433
TOTAL NON-CURRENT ASSETS		23,318,227	144,763,606
TOTAL ASSETS		**42,291,150**	**161,669,292**
CURRENT LIABILITIES			
Trade and other payables	7	1,317,596	1,350,817
Provisions		236,695	225,175
TOTAL CURRENT LIABILITIES		1,554,291	1,575,992
NON-CURRENT LIABILITIES			
Provisions		315,113	282,795
TOTAL NON-CURRENT LIABILITIES		315,113	282,795
TOTAL LIABILITIES		**1,869,404**	**1,858,787**
NET ASSETS		**40,421,746**	**159,810,505**
EQUITY			
Contributed equity	8	260,000,886	259,934,368
Reserves		4,054,360	3,731,619
Accumulated losses		(223,633,500)	(103,855,482)
TOTAL EQUITY		**40,421,746**	**159,810,505**

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

Consolidated statement of cash flows
For the half-year ended 31 December 2013

	Consolidated	
	31/12/2013	**31/12/2012**
CASH FLOWS FROM OPERATING ACTIVITIES	**$**	**$**
Payments to suppliers and employees	(3,148,874)	(3,692,785)
GST received on sale of 50% interest in WA-454-P	560,000	-
Cost recovery from joint venture partners	66,795	42,843
Interest received	169,540	977,706
Net cash (used in) operating activities	**(2,352,539)**	**(2,672,236)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on property, plant and equipment	(7,995)	(123,495)
Expenditure on intangible assets	(24,160)	(35,724)
Expenditure on available for sale financial asset	(29,142)	-
Expenditure on exploration tenements	(1,512,182)	(28,656,121)
Proceeds from sale of 50% interest in WA-454-P	2,800,000	-
Net cash from (used in) investing activities	**1,226,521**	**(28,815,340)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from share issues	-	19,307,000
Transaction costs on issue of shares	-	(464,913)
Net cash from financing activities	**-**	**18,842,087**
Net (decrease) in cash and cash equivalents	**(1,126,018)**	**(12,645,489)**
Cash and cash equivalents at beginning of period	**16,602,849**	**55,331,011**
Net foreign exchange differences	264,515	(304,305)
Cash and cash equivalents at end of period	**15,741,346**	**42,381,217**

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

Consolidated statement of changes in equity
For the half-year ended 31 December 2013

	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	-	-	-	(119,778,018)	(119,778,018)
Other comprehensive income/(loss)	-	-	227,804	-	227,804
Total comprehensive (loss) for the year	**-**	**-**	**227,804**	**(119,778,018)**	**(119,550,214)**
Transactions with owners in their capacity as owners:					
Cost of share based payments	-	94,937	-	-	94,937
Share issues	-	-	-	-	-
Costs of issues (net of tax)	66,518	-	-	-	66,518
At 31 December 2013	**260,000,886**	**1,791,623**	**2,262,737**	**(223,633,500)**	**40,421,746**

	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	-	-	-	(58,307,651)	(58,307,651)
Other comprehensive income/(loss)	-	-	566,633	-	566,633
Total comprehensive (loss) for the year	**-**	**-**	**566,633**	**(58,307,651)**	**(57,741,018)**
Cost of share based payments	-	413,706	-	-	413,706
Share issues	19,307,000	-	-	-	19,307,000
Costs of issues (net of tax)	(335,355)	-	-	-	(335,355)
At 31 December 2012	**259,832,705**	**1,468,481**	**918,030**	**(94,953,039)**	**167,266,177**

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

Notes to the financial statements
For the half-year ended 31 December 2013

NOTE 1 CORPORATE INFORMATION

The financial report of MEO Australia Limited ("MEO Australia", or the "Company") for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 20th February 2014.

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

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

NOTE 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES

The interim condensed financial statements for the six months ended 31 December 2013 have been prepared in accordance with *AASB 134* "*Interim Financial Reporting*" and the *Corporations Act 2001*.

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

It is recommended that the half-year financial report be read in conjunction with the annual report for the year ended 30 June 2013 and considered together with any public announcements made by MEO Australia Limited and its controlled entities during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations of the ASX listing rules.

Changes in accounting policy, accounting standards and interpretations

The accounting policies adopted in the preparation of the interim condensed financial statements are consistent with those followed in the preparation of the Group's annual consolidated financial statements for the year ended 30 June 2013, except for the adoption of new standards and interpretations noted below adopted as of 1 July 2013.

- *AASB 11 Joint Arrangements*

  AASB 11 applies to the Group's interest in joint arrangements. Prior to the transition to AASB 11 the Group classified interests in joint arrangements as jointly controlled assets and accounted for its share of assets and liabilities, the income from the sale or use of its share of the arrangement's output and its share of the expenses incurred in respect of jointly controlled assets. Upon adoption of AASB 11, the group determined its interest in joint arrangements to be classified as joint operations and will continue to account for its share of assets and liabilities, the income from the sale or use of its share of the arrangement's output and its share of the expenses incurred in respect of jointly controlled assets. The adoption of AASB 11 did not have a material impact on the 31 December 2013 financial statements.

- *AASB 12 Disclosure of Interests in Other Entities*

  AASB 12 sets out the disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. AASB 12 had no impact on the half year financial report of the Group but may require the Group to provide additional disclosure in the 30 June 2014 annual financial statements.

Notes to the financial statements
For the half-year ended 31 December 2013 (continued)

NOTE 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont)

- *AASB 124 Related Party Disclosure*

  Amendments to key management personnel disclosure requirements had no impact on the half year financial report but may require the Group to amend disclosures in the 30 June 2014 annual financial statements.

The adoption of any other new and/or revised Standards, Amendments and Interpretations from 1 July 2013 including AASB 10 Consolidated Financial Statements, AASB 13 Fair Value Measurement and AASB 119 Employee Benefits did not have a material effect on the financial position or performance of the Group.

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

Other accounting policies, methods of computation and areas of critical accounting judgments, estimates and assumptions remain the same as those adopted and disclosed in the most recent annual financial report including as disclosed in note 6.

Going concern

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

As at 31 December 2013 the Group had cash reserves of $15,741,346. The cash reserves are sufficient to meet the Group's planned expenditure exploration activities for the 12 months from the date of this report.

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

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.

Notes to the financial statements
For the half-year ended 31 December 2013 (continued)

NOTE 3 SEGMENT INFORMATION

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

The following tables represent revenue and profit/(loss) information regarding operating segments for the half-years ended 31 December 2013 and 31 December 2012.

OPERATING SEGMENTS	**METHANOL & LNG DEVELOPMENT**		**PETROLEUM EXPLORATION**		**CONSOLIDATED**	
	31/12/2013	**31/12/2012**	**31/12/2013**	**31/12/2012**	**31/12/2013**	**31/12/2012**
	$	**$**	**$**	**$**	**$**	**$**
Income:						
Segment income	-	-	-	-	-	-
Interest and other income					167,768	758,087
Total consolidated income					**167,768**	**758,087**
Result:						
Segment loss	-	(264,135)	(116,939,011)	(53,883,926)	(116,939,011)	(54,148,061)
Non-segment revenue/(expenses):						
-Interest income					167,768	758,087
-Net administration costs					(3,175,630)	(4,483,814)
Impairment on available for sale financial asset					(29,142)	-
Foreign exchange gains /(losses)					264,515	(304,305)
Loss before income tax expense					(119,711,500)	(58,178,093)
Income tax expense					(66,518)	(129,558)
Net loss for the period					**(119,778,018)**	**(58,307,651)**

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

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

Notes to the financial statements
For the half-year ended 31 December 2013 (continued)

NOTE 4 ADMINISTRATION EXPENSES

	Consolidated 31/12/2013 $	Consolidated 31/12/2012 $
Consultants fees and expenses	185,913	840,136
Directors remuneration (excluding share based payments)	148,724	159,985
Salaries and on-costs	2,243,817	2,348,110
Share based payments	94,937	413,706
Administration and other expenses	321,294	431,915
Audit costs	43,500	43,500
Securities exchange, share registry and reporting costs	113,294	136,625
Operating lease expenses	268,968	257,755
Investor relations and corporate promotion costs	34,565	233,321
Travel costs	176,220	416,045
Depreciation and amortisation expense	302,884	324,429
Gross administration costs	3,934,116	5,605,527
Less allocation to exploration activities	(758,486)	(1,121,713)
Net administration costs	3,175,630	4,483,814

NOTE 5 CASH AND CASH EQUIVALENTS

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

	Consolidated 31/12/2013 $	Consolidated 30/6/2013 $
Cash at bank	1,037,974	867,945
Short term bank deposits	14,703,372	15,734,904
Total cash and cash equivalents	15,741,346	16,602,849

Notes to the financial statements
For the half-year ended 31 December 2013 (continued)

NOTE 6 CAPITALISED EXPLORATION AND EVALUATION COSTS

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

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

Significant judgement is required in determining whether it is likely that future economic benefits will be derived from capitalised exploration and evaluation expenditure. In the judgement of the Directors, at 31 December 2013 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.

Capitalised exploration and evaluation costs at 31 December 2013 are $21,994,783 (June 2013: $143,119,433) which relate to:-

Area of Interest	**31 Dec 2013**	**30 June 2013**
NT/P68	-	$113,043,670
AC/P50 & AC/P51	$8,219,668	$8,234,566
WA-454-P	$1,472,044	$7,287,764
Seruway PSC	$11,848,653	$11,543,646
Gulf of Thailand Concession G2/48	-	$2,867,433
WA-488-P	$404,418	$142,354
TOTAL	**$21,994,783**	**$143,119,433**

The exploration write-off for the six months to 31 December 2013 is $116,939,011 which is mainly due to the write-off of $113,146,511 relating to the Heron and Blackwood Areas of Interest in NT/P68 following the unsuccessful drilling result from Blackwood-2 and the write-off of $3,129,710 relating to Gulf of Thailand Concession G2/48 a result of withdrawal from the Concession in January 2014.

NOTE 7 TRADE AND OTHER PAYABLES

	Consolidated	
	31/12/2013	**30/6/2013**
	$	**$**
Trade and other payables	1,317,596	1,350,817

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

Notes to the financial statements
For the half-year ended 31 December 2013 (continued)

NOTE 8 CONTRIBUTED EQUITY

	31/12/2013 Shares	30/6/2013 Shares	31/12/2013 $	30/6/2013 $
Issued and Paid Up Capital				
Ordinary shares fully paid	627,264,587	627,264,587	260,000,886	259,934,368
	=========	=========	=========	=========

Dividends

No dividends were declared or paid during the half-year (Dec 2012: Nil).

NOTE 9 COMMITMENTS

There have been no material changes to commitments since the annual financial statements that were issued for the year ended 30 June 2013.

NOTE 10 EVENTS SUBSEQUENT TO BALANCE DATE

There were no significant matters that arose subsequent to 31 December 2013 and up until the date of this report.

Directors' declaration

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

In the opinion of the Directors:

(a) The financial statements and notes of the consolidated entity for the half-year ended 31 December 2013 are in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

- (ii) Complying with Accounting Standards and the *Corporations Regulations 2001*; and

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

On behalf of the Board.

Jürgen Hendrich
Managing Director & Chief Executive Officer
Melbourne, 20th February 2014

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To the members of MEO Australia Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MEO Australia Limited which comprises the consolidated statement of financial position as at 31 December 2013, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity. The consolidated entity comprises the company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MEO Australia Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the Directors' Report.

Conclusion

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

a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2013 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

Matthew A. Honey
Partner
Melbourne
20 February 2014