MEO AUSTRALIA LIMITED

ABN 43 066 447 952

HALF-YEAR FINANCIAL REPORT AND DIRECTORS' REPORT

31 DECEMBER 2014

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Corporate Information

Directors
Gregory A Short (Chairman)
Stephen W Hopley
Peter J Stickland (Managing Director and Chief Executive Officer)

Company Secretary
Colin H Naylor

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Melbourne, Victoria 3000 Australia

Securities Exchange Listing
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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 2014.

DIRECTORS

The Directors of the Company during the half-year ended 31 December 2014 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)

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

Managing Director & Chief Executive Officer: Peter J Stickland BSc, Hons (Geology), GDipAppFin (Finsia), GAICD.

Peter Stickland was appointed Chief Executive Officer for a twelve month term commencing 19th December 2014 and became Managing Director and Chief Executive Officer on 30th January 2015.

Michael J F Sweeney LLB, FIAMA, FCIArb, Chartered Arbitrator resigned as Non-Executive Director on 5th January 2015.

Jürgen Hendrich B.Sc. (Geology) (Hons), PDM stepped down as Chief Executive Officer & Managing Director on 19th January 2015 and ceased being an Executive Director on 31st January 2015.

REVIEW AND RESULTS OF OPERATIONS

The loss after tax for the half-year was $7,284,921 (Dec 2013: loss after tax $119,778,018) mainly due to exploration write-offs ($4,308,625) and net administration costs ($3,739,514).

The net loss after tax for the 2013 half year of $119,778,018 was mainly due to exploration write-offs ($116,939,011) and net administration costs ($3,175,630).

Petrel Sub-Basin

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

WA-454-P contains the Breakwater Prospect which is proposed for drilling by the Joint Venture in Permit Year 5 (June 2015 – June 2016).

Previously in 2013 MEO executed a binding farmout agreement with Origin Energy ("Origin") whereby Origin acquired a 50% interest in the permit and assumed Operatorship. Origin has paid MEO $5.6 million in back costs and will pay for 80% Breakwater-1 well, capped at $35 million.

During the half year MEO launched a marketing campaign aimed at attracting an additional partner to the permit to fund the residual 20% cost of the well.

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

WA-488-P contains the Beehive prospect which 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 located onshore China as a direct analogue. A well is currently required in Permit Year 3 (May 2015 – May 2016).

A farmout/partial sale process remains in progress.

Directors' report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

Bonaparte Basin

- **NT/P68 (Heron Area – MEO 100%)**

In October 2014 the Company regained 100% Participating Interest in the Heron Area of NT/P68 when Eni Australia Limited ("Eni") elected not to drill an additional well on the Heron structure and therefore withdraw from the Heron Area.

MEO sees good alignment between having 100% (and control) of the Heron gas resource with the nearby Tassie Shoals project.

As a result of these changes the Company commenced its own technical analysis of the Heron discovery.

Subsequent to the end of the half year MEO elected to withdraw from the Blackwood gas discovery which was downgraded by the failure of Blackwood-2 to the point where MEO does not see it being big enough to be of benefit to the Tassie Shoal project. Retaining a 50% interest in Blackwood would have meant substantial holding costs to MEO with no clear path or timeline to development or cashflow.

The process of dividing the Permit to facilitate the separate ownership of the Blackwood and Heron resources is being achieved at no cost to MEO, as Eni has agreed to bear all associated costs.

Vulcan Sub-Basin

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

During the half, Apache Northwest Pty Ltd ("Apache") advised it had elected not to exercise its option to farm-in to the AC/P50 and AC/P51 exploration permits. Under the Option Agreement signed in June 2014, Apache could elect to potentially acquire a 70% interest in the permits. MEO has continued its sale and/or farm-out process for both permits during the quarter.

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

Geologic studies to understand the prospectivity of this permit continued during the half year.

North West Shelf Exploration Permits, Carnarvon Basin, Western Australia

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

During the half year, the Company continued to reprocess 3D seismic data in the block as well as undertake geological studies to integrate the results from Ananke-1 which was drilled in the adjoining permit and became open file during 2014. The Company continued to seek to divest its interests in this permit together with the adjoining WA-361-P permit.

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

The Company continued to advance its geologic understanding of the permit during the half year. MEO also continued to market its interest in the permit with WA-360-P.

Indonesia

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

The Company continued to work through the process of withdrawal from the PSC which was surrendered in 2013.

[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 commenced the process of surrendering the Seruway PSC which had reached the end of its ten year term.

- **PEP51153 (MEO 30%)**

In April 2014, MEO announced a staged farm-in 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, which was producing from Puka-1 and Puka-2 under a long term production test. A 3D seismic survey had been acquired of the Puka discovery after the drilling of the two exploration wells.

During the half year Puka-3 was drilled to appraise the Puka oil discovery 500m to the north of Puka-2. The well was drilled without incident and in August reached a total depth of 2,200 meters (Measured Depth from Rotary Table). 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 downgraded the Mount Messenger play in PEP51153.

In addition the Joint Venture has identified the Shannon Prospect, which is interpreted on the new 3D seismic data at the deeper Tikorangi objective updip of Douglas-1 (which encountered oil shows at this level) and is analogous to the nearby Waihapa oil field. The PEP51153 joint venture has commenced a marketing campaign aimed at attracting an additional partner to the permit to fund the drilling of the Shannon prospect later in 2015.

Subsequent to the end of the half year, production from Puka was shut in due to unresolved mechanical problems with the Puka-1 well and the low current oil price environment.

Tassie Shoal Development Projects

MEO has Commonwealth environmental approvals to construct, install and operate two methanol plants collectively referred to as the Tassie Shoal Methanol Project (TSMP) and an LNG plant known as the Timor Sea LNG Project (TSLNG) 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, including high CO_2 levels found in the surrounding discovered gas fields and are designed to share infrastructure and logistic support systems and benefit from a number of production process synergies. The environmental approvals for TSMP are valid until May 2052 and TSLNG until July 2017.

Tassie Shoal Methanol Project (TSMP, MEO 100%)

MEO proposes the staged construction of two large methanol production plants, each on its own concrete gravity structure with an annual production capacity of 1.75 million tonnes. Each completed plant will be constructed in a single module, towed to Tassie Shoal and grounded for operation using sea water as ballast. Each plant requires approximately a minimum of 1.4 Tcf of raw gas, ideally containing around 25% CO_2. The cumulative gas requirement for two plants over a 25 year period is approximately 4.0Tcf of 28% CO_2 raw gas.

During the half year, UBS was mandated to undertake a value realization initiative for the Tassie Shoal projects and to consider strategic options for the Company. The initiative identified new parties with specific interest in the potential of the Tassie Shoal Methanol Projects ("TSMP") to provide new supply into the global methanol market. A full technical data room was available until being closed in January, 2015 in light of market conditions at the time. Overall there remains strong interest in the Tassie Shoal Projects pending availability of feed gas supply.

Directors' report (continued)

REVIEW AND RESULTS OF OPERATIONS (continued)

With respect to gas supply, MEO continues in its efforts to promote the potential of the Tassie Shoal Projects to all stakeholders and regional resource owners as a logical, cost effective, practical and profitable development path. To facilitate consideration of TSMP to commercialise high CO_2 gas, MEO advised potential gas suppliers that a gas price of US$3.15/MMBTU (Jan 2015 basis, raw unprocessed gas including CO_2) is an appropriate starting point for gas supply pricing negotiations. MEO believes this gas price provides a basis for the economic development of the regional stranded gas resources.

During the half year, it was reported that the third party Barossa-3 appraisal well had intersected a gross gas bearing interval of 152 metres with gas composition of 18-19% CO_2 and that drilling had commenced on the Barossa-4 appraisal well. This high CO_2 resource is of a gas quality well suited to the feed gas requirements of TSMP for methanol production.

Timor Sea LNG Project (TSLNGP, MEO 100%)

The TSLNGP requires approximately 3 Tcf of low CO2 (<3%) gas to operate for 20 years. Gas supply for the LNG plant could come from one or more of the neighbouring undeveloped gas fields confronting economic challenges imposed by long distances from land and high domestic construction costs.

There was no material progress during the half year for this project.

CORPORATE

On 5th November 2014, MEO announced the signing of a Merger Implementation Agreement with Neon Energy (Neon) with the goal of merging the two companies on a 50:50 bases. On 19th December 2014 Neon announced that it had received what it considered a superior proposal and terminated the MEO merger and paid a $400,000 reimbursement fee (excl. GST). Costs associated with the merger total $653,899 (excluding GST).

On 11th December 2014 MEO received a proposal from Mosman Oil and Gas Limited (Mosman) indicating that Mosman intends to make an unsolicited off-market takeover offer to acquire 100% of outstanding MEO shares on the basis of one AIM-listed Mosman share for every 20 MEO shares on issue. On 19th January 2015 Mosman indicated its intention to vary its unsolicited off-market takeover offer to one AIM-listed Mosman share for every 10 MEO shares on issue. The MEO Directors have advised shareholders to reject the Revised Mosman Proposal and advised they will provide further information regarding their recommendation in MEO's target statement.

On 29th January 2015, MEO announced that it had implemented a number of cost cutting initiatives including relocating and reducing corporate office space by 50%. The cumulative effect of these cost cutting initiatives will be a more than 60% reduction in overheads compared to the 2014 financial year.

The future growth of the Group is dependant on advancing held permits, acquiring new opportunities, raising capital or undertaking a corporate transaction. Adequacy of funding will, for the immediate future, remain a key focus for the Group and its Shareholders. The Group will look to raise additional funding either through farm-in/sale and/or capital injection to meet exploration work program commitments. In the event that the Group cannot meet its share of work program commitments, permits may need to be surrendered.

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.

Peter Stickland
Managing Director & Chief Executive Officer
Melbourne, 19th February 2015

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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 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
19 February 2015

Consolidated statement of comprehensive income
For the half-year ended 31 December 2014

	Notes	Consolidated	
		31/12/2014	**31/12/2013**
		$	**$**
Sales revenue		294,157	-
Interest income		115,054	167,768
Total income		**409,211**	**167,768**
Production costs		(258,631)	-
Net administration costs	4	(3,739,514)	(3,175,630)
Exploration expenditure written-off	7	(4,308,625)	(116,939,011)
Impairment on Available for Sale Financial Asset		-	(29,142)
Merger related costs		(653,899)	-
Merger break fee		400,000	-
Foreign exchange gains/(losses)		886,099	264,515
Loss before income tax		**(7,265,359)**	**(119,711,500)**
Income tax expense		(19,562)	(66,518)
Net loss for the period		**(7,284,921)**	**(119,778,018)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(88,401)	227,804
Other comprehensive income for the period, net of tax		**(88,401)**	**227,804**
Total comprehensive loss for the period		**(7,373,322)**	**(119,550,214)**
Basic loss per share (cents per share)		(0.97)	(19.10)
Diluted loss per share (cents per share)		(0.97)	(19.10)

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

Consolidated statement of financial position
As at 31 December 2014

		Consolidated	
	Note	**31/12/2014**	**30/06/2014**
CURRENT ASSETS		**$**	**$**
Cash and cash equivalents	5	9,727,455	15,989,872
Other receivables		379,964	410,890
Investment in available for sale financial asset	6	410,509	-
TOTAL CURRENT ASSETS		10,517,928	16,400,762
NON-CURRENT ASSETS			
Property, plant and equipment		359,422	802,679
Intangible assets		129,020	274,234
Exploration and evaluation costs	7	10,645,479	11,330,618
TOTAL NON-CURRENT ASSETS		11,133,921	12,407,531
TOTAL ASSETS		**21,651,849**	**28,808,293**
CURRENT LIABILITIES			
Trade and other payables	8	1,902,083	1,528,895
Provisions		245,258	241,059
TOTAL CURRENT LIABILITIES		2,147,341	1,769,954
NON-CURRENT LIABILITIES			
Provisions		121,811	309,882
TOTAL NON-CURRENT LIABILITIES		121,811	309,882
TOTAL LIABILITIES		**2,269,152**	**2,079,836**
NET ASSETS		**19,382,697**	**26,728,457**
EQUITY			
Contributed equity	9	262,386,746	262,367,184
Reserves		3,744,534	3,979,795
Accumulated losses		(246,748,583)	(239,618,522)
TOTAL EQUITY		**19,382,697**	**26,728,457**

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 2014

	Consolidated	
	31/12/2014	**31/12/2013**
CASH FLOWS FROM OPERATING ACTIVITIES	**$**	**$**
Sales proceeds	197,759	-
Production costs	(176,324)	-
Payments to suppliers and employees	(2,767,304)	(3,148,874)
GST received on sale of 50% interest in WA-454-P	-	560,000
Cost recovery from joint venture partners	34,243	66,795
Merger costs	(71,157)	-
Merger break fee	400,000	-
Interest received	130,106	169,540
Net cash (used in) operating activities	**(2,252,677)**	**(2,352,539)**
CASH FLOWS FROM INVESTING ACTIVITIES		
Expenditure on property, plant and equipment	(16,899)	(7,995)
Expenditure on intangible assets	-	(24,160)
Expenditure on available for sale financial asset	(410,509)	(29,142)
Expenditure on exploration tenements	(4,468,431)	(1,512,182)
Proceeds from sale of 50% interest in WA-454-P	-	2,800,000
Net cash from (used in) investing activities	**(4,895,839)**	**1,226,521**
Net (decrease) in cash and cash equivalents	**(7,148,516)**	**(1,126,018)**
Cash and cash equivalents at beginning of period	**15,989,872**	**16,602,849**
Net foreign exchange differences	886,099	264,515
Cash and cash equivalents at end of period	**9,727,455**	**15,741,346**

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 2014

	Issued capital $	Share based payments reserve $	Foreign Currency Translation Reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2014	**262,367,184**	**1,690,073**	**2,289,722**	**(239,618,522)**	**26,728,457**
Net loss for the period	-	-	-	(7,284,921)	(7,284,921)
Other comprehensive income/(loss)	-	-	(88,401)	-	(88,401)
Total comprehensive (loss) for the year	**-**	**-**	**(88,401)**	**(7,284,921)**	**(7,373,322)**
Transactions with owners in their capacity as owners:					
Cost of share based payments	-	8,000	-	-	8,000
Share issues	-	-	-	-	-
Costs of issues (net of tax)	19,562	-	-	-	19,562
Transfer of lapsed equity instruments	-	(154,860)	-	154,860	-
At 31 December 2014	**262,386,746**	**1,543,213**	**2,201,321**	**(246,748,583)**	**19,382,697**

	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**

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 2014

NOTE 1 CORPORATE INFORMATION

The interim condensed financial report of MEO Australia Limited ("MEO Australia", or the "Company") for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 19th February 2015.

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 2014 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 2014 and considered together with any public announcements made by MEO Australia Limited and its controlled entities during the half-year ended 31 December 2014 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 2014 except for the recognition of sales revenue described below, which has been applied for the first time in the current half-year. 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 7. The adoption of new standards and interpretations as of 1 July 2014 has no material impact on the Group.

Revenue recognition

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. Revenue from the sale of oil is recognised when title to the commodity passes to the customer.

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 2014 the Group had cash reserves of $9,727,455. The cash reserves may not be sufficient to meet the Group's planned exploration activities for the 12 months from the date of this report. To meet its funding requirements the Group will rely on taking appropriate steps, including:

- Meeting its additional obligations by either farm-out or partial sale of the Group's exploration interests;
- Raising capital by one of a combination of the following: placement of shares, pro-rata issue to shareholders, the exercise of outstanding share options, and/or further issue of shares to the public;

Notes to the financial statements
For the half-year ended 31 December 2014 (continued)

NOTE 2 BASIS OF PREPARATION AND ACCOUNTING POLICIES (cont)

- In some circumstances, subject to negotiation and approval, minimum work requirements may be varied or suspended, and/or permits may be surrendered or cancelled; or
- Other avenues that may be available to the Group.

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. No adjustments have been made relating to the recoverability and reclassification of recorded asset amounts and classification of liabilities that might be necessary should the Group not continue as a going concern, particularly the write-down of capitalised exploration expenditure should the exploration permits be ultimately surrendered or cancelled.

Having carefully assessed the potential uncertainties relating to the Group's ability to effectively fund 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.

NOTE 3 SEGMENT INFORMATION

In light of the Group's focus on exploration, the Board of Directors no longer receive segmented financial information in respect of methanol and LNG development. The Group operates in the petroleum exploration industry within Australia, New Zealand and Indonesia.

The Board of Directors currently receive regular consolidated cash flow information as well as Consolidated Statement of Financial Position and Statement of Comprehensive Income information that is prepared in accordance with Australian Accounting Standards.

The Board does not currently receive segmented Statement of Financial Position and Statement of Comprehensive Income information. 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 7.

Sales revenue of $294,157 was generated entirely from production in PEP 51153 in New Zealand.

Notes to the financial statements
For the half-year ended 31 December 2014 (continued)

NOTE 4 ADMINISTRATION EXPENSES

	Consolidated 31/12/2014 $	Consolidated 31/12/2013 $
Consultants fees and expenses	404,643	185,913
Directors remuneration (excluding share based payments)	108,620	148,724
Salaries and on-costs	2,073,209	2,243,817
Share based payments	8,000	94,937
Administration and other expenses	370,191	321,294
Audit costs	39,500	43,500
Securities exchange, share registry and reporting costs	99,779	113,294
Operating lease expenses	232,452	268,968
Investor relations and corporate promotion costs	38,639	34,565
Travel costs	91,467	176,220
Depreciation and amortisation expense	262,527	302,884
*Office relocation costs	658,647	-
Gross administration costs	4,387,674	3,934,116
Less allocation to exploration activities	(648,160)	(758,486)
Net administration costs	**3,739,514**	**3,175,630**

* Office relocation costs include costs associated with leasehold asset write-offs ($318,236) leasehold break costs ($275,000), office equipment write-offs ($24,607) and physical relocation costs ($40,804).

NOTE 5 CASH AND CASH EQUIVALENTS

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

	Consolidated 31/12/2014 $	Consolidated 30/6/2014 $
Cash at bank	5,593,513	4,342,455
Short term bank deposits	4,133,942	11,647,417
Total cash and cash equivalents	9,727,455	15,989,872
	========	========

NOTE 6 FINANCIAL INSTRUMENTS

The Group's financial assets and liabilities include cash and cash equivalents, other receivables, investment in available for sale financial asset and trade and other payables. The carrying value of the Group's financial assets and liabilities approximate their fair value.

The Group's investment in available for sale financial asset is recorded at fair value and is categorised as a level 1 valuation in the fair value hierarchy as it is based on the quoted price of the investment.

Notes to the financial statements
For the half-year ended 31 December 2014 (continued)

NOTE 7 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 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 in particular farm-out processes are underway for the AC/P50, AC/P51, WA-454-P and WA-488-P areas of interest. Nothing has come to the attention of the Directors to indicate future economic benefits will not be achieved. In the event where ongoing activities or committed minimum work requirements cannot be funded by existing financial resources the Group will either meet its obligations by farm-out, partial or full sale of the Group's exploration interests, or subject to negotiation and approval, vary the minimum work requirements, or raise additional capital. 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 2014 are $10,645,479 (June 2014: $11,330,618) which relate to:-

Area of Interest	**31 Dec 2014**	**30 June 2014**
AC/P50 & AC/P51	$8,167,718	$8,273,013
WA-454-P	$1,934,700	$1,777,754
PEP51153 (Puka)	-	$756,946
WA-488-P	$543,061	$522,905
TOTAL	**$10,645,479**	**$11,330,618**

The exploration write-off for the six months to 31 December 2014 is $4,308,625 which is mainly due to the write-off of costs associated with the Puka-3 exploration well in PEP 51153 New Zealand.

NOTE 8 TRADE AND OTHER PAYABLES

Trade and other payables include outstanding merger costs ($582,742) and committed contractual termination costs ($510,000) associated with the Managing Director/CEO's termination announced prior to 31 December 2014.

NOTE 9 CONTRIBUTED EQUITY

	31/12/2014 Shares	**30/6/2014 Shares**	**31/12/2014 $**	**30/6/2014 $**
Issued and Paid Up Capital				
Ordinary shares fully paid	750,488,387	750,488,387	262,386,746	262,367,184
	=========	=========	=========	=========

Dividends

No dividends were declared or paid during the half-year (Dec 2013: Nil).

Notes to the financial statements
For the half-year ended 31 December 2014 (continued)

NOTE 10 COMMITMENTS & CONTINGENT LIABILITIES

There have been no material changes to commitments and contingent liabilities since the annual financial statements that were issued for the year ended 30 June 2014.

NOTE 11 EVENTS SUBSEQUENT TO BALANCE DATE

On 9th February 2015 the Company announced it had elected to withdraw from the Blackwood gas discovery at no cost, transferring that area of NT/P68 to Eni Australia Limited. No exploration and evaluation costs were capitalised in respect to this area of interest as at 31 December 2014.

There were no other significant matters that arose subsequent to 31 December 2014 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 2014 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 2014 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.

Peter Stickland
Managing Director & Chief Executive Officer
Melbourne, 19th February 2015

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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 2014, 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 2014 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.

Building a better working world

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 2014 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*.

Emphasis of Matter

Without qualification of our conclusion, we draw attention to Note 2 *Going Concern*, which sets out the basis by which the Directors believe the consolidated entity will be able to continue as a going concern, including the ability of the consolidated entity to take the appropriate steps set out in Note 2 *Going Concern* to raise further funding or vary expenditure commitments. However, if further funding is not available or expenditure commitments are not able to be varied, there is a material uncertainty whether the consolidated entity will continue as a going concern, and therefore whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that might be necessary should the consolidated entity not continue as a going concern.

Ernst & Young

Ernst & Young

Matthew A. Honey
Partner
Melbourne
19 February 2015