MEO AUSTRALIA LIMITED

ABN 43 066 447 952

FINANCIAL REPORT

2013

MEO Australia Limited
ABN 43 066 447 952

Corporate Directory

Directors
Nicholas M Heath (Chairman)
Jürgen Hendrich (Managing Director and Chief Executive Officer)
Gregory A Short
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
OTCQX Code: MEOAY
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 2013

The directors of MEO Australia Limited (variously the "Company", "MEO" and "MEO Australia") submit their report for the financial year ended 30 June 2013. 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.

Nicholas M Heath B.Eng (Chem) (Hons)
Chairman (Appointed independent non-executive director 12 May 2008, appointed Chairman 13 November 2008)

Mr Heath has a chemical engineering background with over 30 years industry experience in Australian and international energy markets gained through senior management positions with ExxonMobil in Australia and overseas. He was a Director of ExxonMobil Australia Pty Ltd, the holding company for all of ExxonMobil's Australian assets and had specific responsibility for the marketing of natural gas and natural gas liquids throughout Australia. Mr Heath served as Chairman of the Australian Petroleum Production and Exploration Association (APPEA) from 1997-99. Mr Heath also serves as Chairman on the Board of ASX listed coal seam gas company – Metgasco Limited (ASX: MEL) and unlisted credit union – EECU Limited.

Mr Heath 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 16 June 2008) and Managing Director (Appointed 25 July 2008)

Mr Hendrich brings a balance of oil and gas industry and equity capital market experience to MEO. He began his career as a Petroleum Geologist with Esso Australia Limited (a wholly owned subsidiary of ExxonMobil). In a career spanning nearly 12 years he held a variety of roles including well site operations, strategic planning, joint venture relations and new field development. Mr Hendrich left Esso to join JB Were & Son and established a reputation as a leading oil and gas analyst. After 4 years he took on a role as Portfolio Manager for a boutique fund manager before starting a consulting business specialising in advising resources companies. In 2005 he joined the broking firm Tolhurst Limited initially as Head of Resources Research and subsequently Director of Corporate Finance where he developed a client relationship with MEO.

Gregory A Short B.Sc (Geology) (Hons)
Independent Non-Executive Director (Appointed 14 July 2008)

Mr Short has a geological background and retired from ExxonMobil in 2006 after a 33 year career. He has extensive international experience in predominantly managerial roles in Malaysia, Africa and North America and spent the last 15 years of his career in management assignments that included Exploration Manager for USA, Chad and Nigeria as well as serving seven years in Angola as Geoscience Director. Mr Short brings valuable experience in taking several start-up ventures from exploration through to development and production start-up to MEO Australia. Mr Short is a non-executive director of Pryme Oil and Gas Limited (ASX: PYM), Po Valley Energy Limited (ASX: PVE) and Metgasco Limited (ASX: MEL).

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

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

1. DIRECTORS (cont)

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

Mr Sweeney practices as a Barrister at the 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 qualified 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.

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
N M Heath	1,886,015	900,000	-	-
S W Hopley	200,000	900,000	-	-
J Hendrich	1,336,000	-	3,000,000	700,000
G A Short	642,444	900,000	-	-
M J F Sweeney	281,130	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 MEO Australia Limited Chief Financial Officer on 5 February 2007 and Company Secretary on 23 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 (2012: nil).

4. PRINCIPAL ACTIVITIES

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

The Company had 24 employees at 30 June 2013 including directors (2012:24). The Company also engages a number of full and part time consultants to assist in the development and management of its various activities.

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 their 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.

There were no reported environmental incidents or Lost Time Injuries (LTI's) for MEO controlled operations during the year.

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). During the year there were no field operations undertaken at Tassie Shoal.

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 the first of two Heron wells – Heron South-1 - required to earn a 50% interest in the Heron gas discovery in August 2012. Heron South-1 intersected two gross gas bearing intervals each in excess of 100m separated by a shaley interval exceeding 100m. Both gas zones were production tested, the lower interval through slotted liner and the upper interval through cemented liner. Gas flowed to surface at rates too low to measure accurately from both intervals. The equivocal outcomes did not warrant an immediate commitment to drill a second well without a detailed assessment of the drilling results. Eni's option to drill a second well was deferred until 18th December 2013 to allow time for further studies to be undertaken.

Notwithstanding these results, Eni exercised its option to drill a well on the Blackwood discovery and has secured the Ensco #104 jackup drilling rig to drill a number of wells including Blackwood-2. At the time of this report, the timing of Blackwood-2 remains fluid and is expected to be either the 2nd or 3rd well in the Ensco #104 drilling program. MEO expects the well to commence drilling in Q4-2013. A positive result at Blackwood-2 that results in an upgrade to MEO's current 2C resource estimate, has the potential to provide a resource size capable of underpinning the first of the Tassie Shoal methanol projects.

Gross Contingent Resources (100% share)

Discovery Name			1C	2C	3C
Blackwood	Gas	Bscf	373	542	756
	Total Liquids	MMstb	1	2	3
Heron	Gas	Bscf	46	113	1,194
	Total Liquids	MMstb	-	-	-

Blackwood-1 and Heron-2 discovery wells drilled in 2008. Resources defined as contingent on the basis that evaluation of the accumulations is currently insufficient to clearly assess commerciality.

5. REVIEW OF OPERATIONS (cont)

Gross Prospective Resources (100% share)

Prospect Name			Low	Best	Mean	High
Blackwood - Deep *Prospect*	Gas	Bscf	616	897	918	1,250
	Total Liquids	MMstb	2	3	3	5
Blackwood East *Prospect CoS* = 60%*	Gas	Bscf	149	217	222	302
	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 15.

NT/P79 (MEO 65%)

MEO farmed into this permit in late 2012 by reimbursing the vendor (Finder Offshore Exploration Pty Ltd) a proportion of historical costs. The permit had been the beneficiary of some new 2D seismic acquired by Geoscience Australia at no cost to the permit operator. Following evaluation of the new seismic data the Joint Venture determined that the play concept could not be matured to a drillable prospect and further investment was not warranted. Having fulfilled the permit year commitment, the Joint Venture applied to surrender and withdraw from the permit in late June for which regulatory approval was received in August.

WA-454-P (MEO 100%[1])

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. During the year, technical efforts focused on fully assessing the Marina discovery including the deeper, undrilled potential together with maturing the understanding of the Breakwater prospect, considered the leading candidate for the Permit Year 5 (commencing June 2015) exploration well.

In late 2012, a farmout/partial sale process was launched seeking to attract a partner to fund this drilling. A binding farmout agreement was executed with Origin Energy Resources Limited (a subsidiary of Origin Energy Limited) in July 2013, subsequent to the end of the reporting period. 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$35m excluding production testing. The well cap assumes an exchange rate of parity between the A$ and US$. The well cap assumes 65% of the well costs will be denominated in US$ and will be adjusted to the prevailing exchange rate at the time of drilling.

Gross Contingent Resources (100% share)

Discovery Name			1C	2C	3C
Marina	Gas	Bscf	115	164	423
	Total Liquids	MMstb	2	13	48

[1] *Participating interest is shown as at the end of the reporting period. Subsequent to the end of the period, a farmout agreement was executed with Origin Energy Resources Limited whereby MEO's interest will reduce to 50%*

5. REVIEW OF OPERATIONS (cont)

Gross Prospective Resources (100% share)

Prospect Name			Low	Best	Mean	High
Marina – Deep	Gas	Bscf	36	203	236	487
Drillable Prospect CoS* = 40%	Total Liquids	MMstb	1	6	7	16
Breakwater - West	Gas	Bscf	196	708	765	1,394
Prospect	Total Liquids	MMstb	5	22	28	59
Breakwater - East	Gas	Bscf	54	117	129	220
Lead	Total Liquids	MMstb	1	4	5	10
Promenade	Gas	Bscf	2,487	3,852	4,027	5,741
Lead	Total Liquids	MMstb	11	37	57	123

** CoS = Chance of Geologic Success*
These tables should be read with reference to the footnote "Notes regarding Contingent and Prospective resource estimates" on page 15.

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 Beehive prospect assessed by the technical team of being able to be readily upgraded to drillable status with minor seismic reprocessing. Beehive represents a new play type in the basin and was identified as a follow-up to the 2011 Ungani-1 oil discovery in the adjacent Canning Basin. The exploration team sought to find an optimal setting for the Carboniferous aged carbonate intersected by Ungani-1. This search resulted in MEO identifying and nominating the vacant acreage to the Government for gazettal and subsequently submitting a work program bid that resulted in the award of the permit now known as WA-488-P.

Beehive is considered prospective for oil in two Palaeozoic aged carbonate objectives. The following table summarises MEO's assessment of prospective resources.

Gross Prospective Resources (100% share)

Beehive – Carboniferous *Prospect*			Low	Best	Mean	High
Oil Dominant Scenario	Gas	Bscf	-	-	-	-
	Total Liquids	MMstb	104	598	1009	2,182
Gas Dominant Scenario	Gas	Bscf	415	2,374	3,996	8,615
	Total Liquids	MMstb	20	117	207	457
Aggregate (oil equivalent)*	Total	MMboe	101	581	915	2,124

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

Beehive – Ordovician *Prospect*			Low	Best	Mean	High
Oil Dominant Scenario	Gas	Bscf	-	-	-	-
	Total Liquids	MMstb	67	328	546	1,314
Gas Dominant Scenario	Gas	Bscf	278	1,285	2,244	5,060
	Total Liquids	MMstb	13	65	116	263
Aggregate (oil equivalent)*	Total	MMboe	65	318	534	1,272

** 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 15.

A farmout/partial sale process was launched in early July, subsequent to the end of the reporting period.

5. REVIEW OF OPERATIONS (cont)

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 which nonetheless 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.

Gross Prospective Resources (100% share)

Ramble On *Prospect*			**Low**	**Best**	**Mean**	**High**
Oil Dominant Scenario	Gas	Bscf	-	-	-	-
	Total Liquids	MMstb	8	39	56	130
Gas Dominant Scenario	Gas	Bscf	29	162	461	1,136
	Total Liquids	MMstb	1	6	16	39
Aggregate (oil equivalent)*	Total	MMboe	8	38	63	150

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

Jur'maker *Prospect*			**Low**	**Best**	**Mean**	**High**
Oil Dominant Scenario	Gas	Bscf	-	-	-	-
	Total Liquids	MMstb	3	14	32	73
Gas Dominant Scenario	Gas	Bscf	10	54	117	276
	Total Liquids	MMstb	-	2	4	10
Aggregate (oil equivalent)*	Total	MMboe	3	13	30	70

** 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 15.

During the year, work program variation requests were submitted to the regulatory authorities seeking to provide maximum time to mature a prospect for drilling in the final permit year (6) commencing April 2014. These requests were subsequently approved.

A farmout/partial sale process was launched subsequent to the end of the reporting period, in August 2013.

AC/P53 (MEO 100%)

This permit was officially awarded to MEO in early July 2011 and the Zeppelin 2D seismic survey was acquired in early 2012 including acquisition of a tie-line to the Zeppelin 3D.

5. REVIEW OF OPERATIONS (cont)

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 did not encounter any hydrocarbons although the reason for its failure is unknown and its impact on Maxwell is not clear. MEO has elected to divest and is actively marketing its interest.

WA-361-P (MEO 50%)

This permit was renewed for five years in early 2011. The JV has licenced a significant portion of the Zeus multi-client 3D seismic survey that was acquired over the permit. Technical work focused on maturing the Heracles prospect. Following completion of this technical work, MEO elected to divest its interest in the permit

Tassie Shoal Gas Processing Projects

The Tassie Shoal projects comprise two stand-alone world scale 1.75 Mta methanol projects and a single 3 Mta LNG plant. Environmental Approvals are in place and in the case of the methanol projects are valid until 2052, while the LNG project approvals are scheduled for review in 2017. Major Project Facilitation Status has also been granted.

Tassie Shoal Methanol Project (TSMP, MEO 100%)

Each of the two 1.75 Mta natural gas reforming and methanol production plants is housed on its own concrete gravity structure and represents a stand-alone project. Once constructed and pre-commissioned, each will be towed to Tassie Shoal and grounded for operation using seawater as ballast. Each plant requires approximately 1.3 Tcf of raw gas, ideally containing up to 25% CO_2, to operate for 20 years.

During the year, MEO tested the market initially seeking expressions of interest (EOI) from prospective methanol buyers for offtake volumes. EOI's received from a number of quality customers exceeded the supply from both proposed methanol plants. These EOI's were subsequently high-graded to non-binding Letters of Intent with three of these customers for volumes exceeding the supply from the first of two proposed plants, with final quantities to be aligned with MEO's available equity supply.

Concurrent with developing the market, MEO also formed a strategic relationship with a major Chinese company prepared to take up to 50% equity in and operatorship of the two methanol projects. This relationship provided MEO with the financial underpinning to be able to jointly offer each custodian of undeveloped gas resources in the region surrounding Tassie Shoal a set of key commercial terms for gas delivered to the methanol plant. Operators have cited the receipt of appraisal drilling results as a precursor to engaging in further commercial discussions with MEO. Appraisal drilling is scheduled on several of these undeveloped gas resources during the 2013/14 financial year.

Timor Sea LNG Project (TSLNGP, MEO 100%)

The TSLNGP requires approximately 3 Tcf of clean, low CO_2 (<4%) gas to operate for 20 years. During the year MEO sought to engage with companies controlling undeveloped gas in the area. To date there has been no success with these discussions despite the apparent advantages of the TSLNG Project.

5. REVIEW OF OPERATIONS (cont)

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).

Gurame SE-1X was selected to meet the 2012 commitment well and targeted a structural closure up dip of recovered oil samples in two target reservoirs. Gurame was discovered in the late 1960's – with the 1st well Gurame-1x resulting in a blowout. The field had a number of follow-up wells concentrated in a small area within the overall field and a modern 3D seismic survey. The crest had never been drilled. If a gas cap was present, proximity to shore and a hungry gas market made even a small gas discovery potentially commercial. Gurame offered the prospect of a rapid path to a plan of development required to retain tenure to the PSC.

Following a farmout/partial sale process that did not result in attracting a funding partner, MEO elected to proceed at 100% interest rather than transferring the interest back to the vendor.

Gurame SE-1X intersected two gas bearing intervals. The lower interval resulted in the loss of drilling fluids and ultimately required this section of the wellbore to be plugged and abandoned without testing. The upper interval was tested through casing, however flowed gas at rates too low to be measured accurately.

Historical drilling on the Ibu Horst resulted in a number of discoveries albeit with limited reservoir development. The high quality Ibu Horst 3D seismic survey acquired in early 2012 predicted the thickening of reservoir section away from the basement high and resulted in the identification of the Juaro prospect downdip of the 1969 ONS B-1 gas and oil discovery. That historical discovery flowed 12.4 Mmcf/d gas and oil at unmeasured rates through a 2" line without a choke. Following the production test, 6 gallons of 36.7^{o} API oil was recovered.

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

Discovery Name			1C	2C	3C
Kuala Langsa	Gas	Bscf	286	377	495
(Gross Recoverable Hydrocarbons)	Total Liquids	MMstb	1	1	2
Kuala Langsa	Gas	Bscf	156	205	260
Net Entitlement Interest	Total Liquids	MMstb	0	1	1

** 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*			**Low**	**Best**	**Mean**	**High**
Oil Dominant Scenario ***(Gross Recoverable Hydrocarbons)***	Gas	Bscf	11	51	51	93
	Total Liquids	MMstb	39	202	204	370
Gas Dominant Scenario ***(Gross Recoverable Hydrocarbons)***	Gas	Bscf	146	723	730	1,323
	Total Liquids	MMstb	6	32	33	62
Aggregate (oil equivalent)* ***(Gross Recoverable Hydrocarbons)***	Total	MMboe	36	181	183	334
Aggregate (oil equivalent)* *Net Entitlement Interest*	Total	MMboe	23	79	80	131

** 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 15.

A farmout/partial sale process remains active at the time of this report.

South Madura PSC (MEO 90%)

MEO closed a transaction in June 2011 to acquire all of the shares in South Madura Exploration Company (SMEC) which holds a 30% interest in the South Madura PSC, Madura Island. Following settlement of this transaction, AED Oil (60%) applied for and was voted in as Operator. Several weeks later, AED Oil went into voluntary administration and its 60% interest in the PSC was subsequently sold as part of a suite of assets purchased by Subaru who on sold the South Madura stake to SMEC. Regulatory approval for the transfer of interest and Operatorship to SMEC was granted in June 2012.

Following receipt of regulatory approvals, SMEC submitted an application to be compensated for time lost to these and other events preceding SMEC's participation in the PSC. A constitutional challenge to the validity of the regulator in late 2012 resulted in the dissolution of the regulator and the appointment of a new regulator. The disruption to the regulatory regime resulted in no progress in relation to the lost time compensation application, which was subsequently withdrawn. The PSC will be relinquished upon expiry in October 2013.

Thailand

G2/48 Concession (MEO 50%)

Two wells were drilled in late 2012. Anchan-1 was drilled to fulfil a prior year commitment at no expense to MEO. Sainampueng-1 was prematurely plugged and abandoned after circulation was lost above the top of an extensive prospective interval. The well did provide information on formation ages that resulted in an upgrading of the tertiary aged leads following this well result. MEO also identified pre-tertiary aged carbonates as a potential play concept worthy of further technical work.

5. REVIEW OF OPERATIONS (cont)

Gross Prospective Resources (100% share)

Prospect Name			Best*
Krissana West	Gas	Bscf	-
Lead	Total Liquids	MMstb	15
Krissana Deep (pre-Tertiary)	Gas	Bscf	-
Lead	Total Liquids	MMstb	100
Krongthong	Gas	Bscf	-
Lead	Total Liquids	MMstb	33
Kalong	Gas	Bscf	-
Lead	Total Liquids	MMstb	10
Pudsorn	Gas	Bscf	-
Lead	Total Liquids	MMstb	46

** Only Best Estimate deterministic volumes have been calculated for features that are at a "Lead" level of maturity. Best Estimate used in portfolio roll up in the absence of a probabilistic mean volume estimate.*
This table should be read with reference to the footnote "Notes regarding Contingent and Prospective resource estimates" on page 15.

Concession tenure was extended by a further three years from January 2013, with a well required in the 2nd year (2014) of the renewal period.

Subsequent to the end of the reporting period, a joint farmout/partial sale process was launched in August 2013, seeking a partner to fund the 2014 exploration well.

Results For The Year

The net loss of the Group for the financial year, after provision for income tax, was $67,210,094 (2012: net loss after tax of $5,697,933). The loss for the year was mainly due to a write-off of exploration expenditure totalling $60,443,484 following an unsuccessful drilling campaign during 2012-2013.

The successful drilling and commercialisation of any commercial oil and gas discoveries in offshore Australian exploration permits and overseas acreage and/or the development 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 $16,602,849. During the year the Group decreased the cash balance by $39,163,291 (before foreign exchange fluctuations) with funds used to meet exploration, investment and capital cash outflows of $51,965,233 and net corporate costs of $7,311,142 partly offset by interest received $1,270,997 and net proceeds from share issues $18,842,087.

Share Issues

During the year the Company raised a total of $19,307,000 (before transaction costs of $464,913) from the placement of 40,816,327 shares at $0.245 per share and 46,535,000 shares at $0.20 per share from the Share Purchase Plan.

5. REVIEW OF OPERATIONS (cont)

Share Performance Rights

Following approval by shareholders at the 2012 Annual General Meeting, 1,050,000 share performance rights were granted to the Managing Director and Chief Executive Officer – Mr Jürgen Hendrich. Shares will be issued 1/3rd on 1 July 2013, 1/3rd on 1 July 2014 and 1/3rd on 1 July 2015 on the condition that the Volume Weighted Average MEO Share Price in 2012/2013 is $0.50 for 30 continuous days, $0.75 in 2013/2014 for 30 continuous days and $1.00 in 2014/2015 financial years for 30 continuous days.

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Total equity decreased to $159,810,505 from $205,621,844, a decrease of $45,811,339. The movement was mainly due to the net loss of $67,210,094 partly offset by net proceeds from share issues of $18,842,087 and translation reserve movement of $1,683,536.

7. SIGNIFICANT EVENTS AFTER THE BALANCE DATE

In July 2013, a binding farmout agreement in relation to WA-454-P was executed with Origin Energy Resources Limited (a subsidiary of Origin Energy Limited). Origin will acquire a 50% interest in the Permit 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$35m excluding production testing. The well cap assumes an exchange rate of parity between the A$ and US$. The well cap assumes 65% of the well costs will be denominated in US$ and will be adjusted to the prevailing exchange rate at the time of drilling.

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.

8. LIKELY DEVELOPMENTS AND EXPECTED RESULTS

During the 2013/2014 financial year, MEO will be participating in at least one appraisal well – Blackwood-2, to be fully funded by Eni Australia including testing if warranted. A number of farmout/partial sale processes are underway which if successful, may lead to additional drilling in 2014. The Group continue to pursue attractive new venture opportunities.

9. BUSINESS STRATEGY AND PROSPECTS

MEO's overall strategy is to be a high quality energy company delivering sustainable top quartile shareholder returns through the acquisition of attractive upstream oil and gas growth opportunities and the application of innovative commercialisation strategies, primarily in the Australia/ Asia-Pacific region.

MEO's business strategy is to seek high equity interest in exploration acreage at low entry cost, add technical value through investment in seismic data and evaluation of acreage prospectivity, then seek to recover invested capital and/or achieve carry for drilling activities through farm-out/partial sale.

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.

9. BUSINESS STRATEGY AND PROSPECTS (cont)

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.

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

During the financial year 1,050,000 share performance rights were granted to the Managing Director & Chief Executive Officer. No share options were granted to employees and contractors during or since the end of the financial year.

10. SHARE OPTIONS AND SHARE PERFORMANCE RIGHTS (cont)

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
1 March 2016	$0.50	900,000
4 April 2016	$0.50	1,200,000
1 July 2016	$0.50	500,000
27 October 2015	$0.50	3,600,000
1 July 2016	$0.50	3,000,000
3 October 2016	$0.50	2,075,000
1 December 2016	$0.50	4,580,000
3 April 2017	$0.50	1,500,000
	TOTAL	**18,855,000**

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

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 condition in 2012/2013 was not achieved and therefore 350,000 share performance rights lapsed.

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 (2012: 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**
N M Heath	20	20	4	4	2	2
J Hendrich	20	20	-	-	-	-
S W Hopley	20	20	4	4	1	2
G A Short	20	20	4	4	2	2
M J F Sweeney	20	20	4	4	2	2

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

13. AUDITOR INDEPENDENCE AND NON-AUDIT SERVICES

The directors have received the independence declaration from the auditor, Ernst & Young, set out on page 16.

Non Audit Services

There were no non-audit services provided by Ernst & Young during the year.

Notes regarding Contingent and Prospective resource estimates

1. *Note that in regard to prospective resources 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. Lubing Liu, MEO's Chief Reservoir Engineer, who is an employee of the company and has nearly 20 years of relevant experience. Mr. Liu is a member of the Society of Petroleum Engineers. Mr. Liu 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.*

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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 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
18 September 2013

14. REMUNERATION REPORT (Audited)

This remuneration report for the year ended 30 June 2013 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 FY2013
2. Remuneration Strategy and Board oversight of remuneration
3. Non-executive director remuneration arrangements
4. Executive remuneration arrangements
5. Remuneration outcomes for FY2013
6. Company performance

1. Key Management Personnel (KMP) for FY2013

The names and positions of the KMP during the 2013 financial year (FY2013) and up to the date of this remuneration report are listed below.

(i) Directors

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

(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
D Maughan	Exploration Manager (retired 1 June 2013)
P Stickland	Exploration Manager (appointed 1 June 2013)

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

With effect from 1 July 2011, 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 receive independent remuneration reports 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 18 November 2010 shareholders approved an increase in the aggregate annual remuneration to $500,000 per year, with effect from the financial year commencing 1 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, additional remuneration was paid to Mr Hopley for services provided in Chairing the Strategic Review Committee. 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 30 June 2013 and 30 June 2012 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 FY2013:

% of Total Remuneration			
		Performance-based remuneration	
	Fixed remuneration	**Short Term Incentive**	**Long Term Incentive**
Executives			
J Hendrich	97%	-	3%
C H Naylor	100%	-	-
R J D Gard	100%	-	-
R Zammit	100%	-	-
Consultants holding key management positions			
K Hendrick	100%	-	-
D Maughan	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 13 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 FY2013

Following approval by shareholders at the 2012 Annual General Meeting, 1,050,000 share performance rights were granted to the Managing Director and Chief Executive Officer – Mr Jürgen Hendrich. Shares will be issued 1/3rd on 1 July 2013, 1/3rd on 1 July 2014 and 1/3rd on 1 July 2015 on the condition that the Volume Weighted Average MEO Share Price in 2012/2013 is $0.50 for 30 continuous days, $0.75 in 2013/2014 for 30 continuous days and $1.00 in 2014/2015 financial years for 30 continuous days.

The share price condition was not achieved for the 2012/2013 tranche of performance rights (350,000 rights lapsed).

Each performance right entitles the holder to one fully paid ordinary share in the Company.

See page 25 for details of share performance rights granted to KMP during the financial year.

14. REMUNERATION REPORT (Audited) (cont)

4. Executive remuneration arrangements (cont)

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.

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

- **Term**: From 1 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.

14. REMUNERATION REPORT (Audited) (cont)

4. Executive remuneration arrangements (cont)

- Consultants

The Company has secured the services for Mr Maughan, 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.

5. Remuneration outcomes for FY2013

5.1 Remuneration of key management personnel of the Company

Details of the remuneration of KMP (including the non-executive directors) for FY2013 and comparative information for FY2012 are set out in Tables 1 and 2 below.

Table 1: 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)

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

Table 2: Remuneration for the year ended 30 June 2012

	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	74,250	-	-	-	33,660	24,343	-	132,253	18.4
S W Hopley	17,580	-	-	-	50,000	24,343	-	91,923	26.5
G A Short	36,500	-	-	-	31,080	24,343	-	91,923	26.5
M J F Sweeney	62,000	-	-	-	5,580	24,343	-	91,923	26.5
Sub-total non-executive directors	**190,330**	**-**	**-**	**-**	**120,320**	**97,372**	**-**	**408,022**	**23.9**
Executive director									
J Hendrich (iii)	-	461,025	8,733	125,000	33,975	188,029	19,210	835,972	37.4
Other key management personnel									
C H Naylor	-	259,224	-	-	15,775	34,504	10,303	319,806	10.8
R J D Gard(iv)	-	259,224	-	25,000	15,775	34,504	13,324	347,827	17.1
R Zammit (i)	-	160,417	17,098	-	9,202	34,504	5,599	226,820	15.2
Sub-total executives	**-**	**1,139,890**	**25,831**	**150,000**	**74,727**	**291,541**	**48,436**	**1,730,425**	**25.5**
Consultants holding key management positions									
D Maughan (ii)(iv)	-	267,000	-	35,000	-	17,252	-	319,252	16.4
K Hendrick (ii)	-	400,850	-	-	-	17,252	-	418,102	4.1
Sub-total consultants	**-**	**667,850**	**-**	**35,000**	**-**	**34,504**	**-**	**737,354**	**9.4**
TOTAL	**190,330**	**1,807,740**	**25,831**	**185,000**	**195,047**	**423,417**	**48,436**	**2,875,801**	**21.2**

* Refer note 21 to the consolidated financial statements for fair value calculation of options.
(i) Mr Zammit - appointed 1 December 2011.
(ii) Represents fees paid/payable for services provided by entities of the consultants.
(iii) In the FY2011-2012 the Board approved a bonus of $125,000 to the Managing Director. The bonus was paid in July 2012. A minimum level of performance was required to be achieved before the Board decided to award the bonus. Therefore, the minimum potential value of the award in respect of the year was nil. The value of the grant awarded to the Managing Director and Chief Executive Officer represented 83% of the potential STI. The percentage of the Managing Director and Chief Executive Officer remuneration comprising share options was 22.7%.
(iv) The Managing Director and Chief Executive Officer approved a bonus of $35,000 to the exploration manager, Mr D Maughan and a $25,000 to the commercial manager, Mr R J D Gard in recognition of their contribution to secure Eni as a NT/P68 Joint Venture Partner. The bonuses were paid in August 2011. A minimum level of performance was required to be achieved before the Managing Director and Chief Executive Officer approved award of the bonus. Therefore, the minimum potential value of the award in respect of the year was nil. The maximum value of the grant awarded to the commercial manager is the actual amount paid. The percentage of the exploration manager's remuneration comprising of options was 5.4% and the percentage of the commercial manager's remuneration comprising of options was 9.9%.

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 2013	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							
N M Heath	-	-	-	27 Oct 2012	300,000	-	27 Oct 2015
S W Hopley	-	-	-	27 Oct 2012	300,000	-	27 Oct 2015
G A Short	-	-	-	27 Oct 2012	300,000	-	27 Oct 2015
M J F Sweeney	-	-	-	27 Oct 2012	300,000	-	27 Oct 2015
Executives							
J Hendrich	-	-	-	1 Jul 2012	1,000,000	-	1 Jul 2016
C H Naylor	-	-	-	1 Dec 2012	500,000	-	1 Dec 2016
R J D Gard	-	-	-	1 Dec 2012	500,000	-	1 Dec 2016
R Zammit	-	-	-	1 Dec 2012	500,000	-	1 Dec 2016
D Maughan	-	-	-	1 Dec 2012	250,000	-	1 Dec 2016
K Hendrick	-	-	-	1 Dec 2012	250,000	-	1 Dec 2016
P Stickland	-	-	-	1 July 2012	250,000	-	1 Jul 2016
TOTAL					**4,450,000**		

Share Performance Rights

30 June 2013	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	350,000	-	30 Jun 2013	-	350,000	-
J Hendrich	15 Nov 2012	350,000	0.025	30 Jun 2014	-	-	30 Jun 2014
J Hendrich	15 Nov 2012	350,000	0.025	30 Jun 2015	-	-	30 Jun 2015

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

There were no options granted, exercised or lapsed during the year.

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	17,500	-	-

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

14. REMUNERATION REPORT (Audited) (cont)

Table 6: Share issued on exercise of options

There was no exercise of options during the reporting period (2012: nil).

6. 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	2013	2012	2011	2010	2009
Net (loss)/profit - $000	(67,210)	(5,698)	13,707	(4,826)	(28,185)
Basic (loss)/earnings per share – cents per share	(11.26)	(1.06)	2.67	(1.07)	(6.76)
Share price at the beginning of year - $	0.25	0.18	0.25	0.23	0.50
Share price at end of year - $	0.06	0.25	0.18	0.25	0.23
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, 18th September 2013

MEO Australia Limited
ABN 43 066 447 952

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Note	2013	2012
		$	**$**
Interest income		1,005,266	3,311,578
Gain on disposal of "available for sale" financial assets		-	159,081
Total income		**1,005,266**	**3,470,659**
Net administration costs	4	(7,697,729)	(8,873,349)
Exploration expenditure written-off		(60,443,484)	(16,611)
Tassie Shoal Project expenditure		(278,055)	(1,090,866)
Share of losses of an associate		-	(315,000)
Foreign exchange gains		435,129	1,353,693
Loss before income tax		**(66,978,873)**	**(5,471,474)**
Income tax expense	5	(231,221)	(226,459)
Net loss for the period		**(67,210,094)**	**(5,697,933)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		1,683,536	351,397
Net fair value gains on available-for-sale financial assets reclassified to profit and loss		-	(52,445)
Income tax on items of other comprehensive income	5	-	15,734
Other comprehensive income for the period, net of tax		**1,683,536**	**314,686**
Total comprehensive loss for the period		**(65,526,558)**	**(5,383,247)**
Basic loss per share (cents per share)	6	(11.26)	(1.06)
Diluted loss per share (cents per share)	6	(11.26)	(1.06)

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 2013

	Note	2013	2012
CURRENT ASSETS		**$**	**$**
Cash and cash equivalents	7	16,602,849	55,331,011
Other receivables	8	302,837	1,249,363
TOTAL CURRENT ASSETS		16,905,686	56,580,374
NON-CURRENT ASSETS			
Investment in associate	9	-	-
Property, plant and equipment	10	1,136,560	1,469,809
Intangible assets	11	507,613	747,755
Exploration and evaluation costs	12	143,119,433	150,329,325
TOTAL NON-CURRENT ASSETS		144,763,606	152,546,889
TOTAL ASSETS		**161,669,292**	**209,127,263**
CURRENT LIABILITIES			
Trade and other payables	13	1,350,817	3,128,050
Provisions	14	225,175	177,009
TOTAL CURRENT LIABILITIES		1,575,992	3,305,059
NON-CURRENT LIABILITIES			
Provisions	14	282,795	200,360
TOTAL NON-CURRENT LIABILITIES		282,795	200,360
TOTAL LIABILITIES		**1,858,787**	**3,505,419**
NET ASSETS		**159,810,505**	**205,621,844**
EQUITY			
Contributed equity	15	259,934,368	240,861,060
Reserves	15	3,731,619	1,406,172
Accumulated losses	15	(103,855,482)	(36,645,388)
TOTAL EQUITY		**159,810,505**	**205,621,844**

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 2013

	Issued capital $	Share based payments reserve $	Foreign Currency Translation Reserve $	Net unrealised gains 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**

	Issued capital $	Share based payments reserve $	Foreign Currency Translation Reserve $	Net unrealised gains reserve $	Accumulated losses $	Total equity $
Balance at 1 July 2011	**240,650,334**	**1,520,440**	**-**	**36,711**	**(32,271,355)**	**209,936,130**
Net loss for the period	-	-	-	-	(5,697,933)	(5,697,933)
Other comprehensive income/(loss)	-	-	351,397	(36,711)	-	314,686
Total comprehensive income/(loss) for the year	**-**	**-**	**351,397**	**(36,711)**	**(5,697,933)**	**(5,383,247)**
Transactions with owners in their capacity as owners:						
Cost of share based payments	-	858,235	-	-	-	858,235
Costs of issues (net of tax)	210,726	-	-	-	-	210,726
Transfer of equity instruments expired unexercised	-	(1,323,900)	-	-	1,323,900	-
At 30 June 2012	**240,861,060**	**1,054,775**	**351,397**	**-**	**(36,645,388)**	**205,621,844**

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

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

		2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		**$**	**$**
Payments to suppliers and employees		(7,479,127)	(8,353,152)
Cost recovery from joint venture partners		167,985	423,484
Interest received		1,270,997	4,177,798
Net cash (used in) operating activities	(note 16)	**(6,040,145)**	**(3,751,870)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Expenditure on plant and equipment		(123,495)	(1,308,989)
Expenditure on intangible assets		(35,724)	(679,788)
Investment in associate		-	(315,000)
Purchase of available for sale financial assets		-	(620,955)
Expenditure on exploration tenements		(51,806,014)	(30,474,957)
Proceeds from sale of available for sale financial assets		-	875,243
Net cash (used in) from investing activities		**(51,965,233)**	**(32,524,446)**
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		**(39,163,291)**	**(36,276,316)**
Cash and cash equivalents at beginning of period		**55,331,011**	90,253,634
Net foreign exchange differences		435,129	1,353,693
Cash and cash equivalents at end of period	(note 7)	**16,602,849**	**55,331,011**

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 2013 was authorised for issue in accordance with a resolution of the directors on 18 September 2013.

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 2012:

- AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Other Comprehensive Income.

Adoption of this Standard 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.

(iii) Historical cost convention

The financial statements have been prepared under a historical cost convention, except for derivative financial instruments 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 2013. 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 FY2013-2014.

Reference	**Title**	**Summary**	**Application date of standard**	**Application date for Group**
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 other standards via AASB 2011-7.	1 January 2013	1 July 2013
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 other standards via AASB 2011-7 and amendments to AASB 128.	1 January 2013	1 July 2013

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
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 structures 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 and structured entities and subsidiaries with non-controlling interests.	1 January 2013	1 July 2013
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.	1 January 2013	1 July 2013
AASB 119	Employee Benefits	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.	1 January 2013	1 July 2013
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. This information will be disclosed in the Remuneration Report.	1 July 2013	1 July 2013

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(b) New Accounting Standards and Interpretations (cont)

AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle	AASB 2012-5 makes amendments resulting from the 2009-2011 Annual Improvements Cycle. The standard addresses a range of improvements, including the following: ► Repeat application of AASB 1 is permitted (AASB 1) ► Clarification of the comparative information requirements when an entity provides a third balance sheet (AASB 101 Presentation of Financial Statements).	1 January 2013	1 July 2013
AASB 9	Financial Instruments	AASB 9 addresses classification, measurement and de-recognition of financial assets.	1 Jan 2015	1 July 2015

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

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of MEO Australia Limited and its subsidiaries as at 30 June 2013 and the results of all the subsidiaries for the year then ended (the Group).

Subsidiaries are all those entities over which the group has the power to govern the financial and operating policies so as to obtain benefits from their activities.

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies. In preparing the consolidated financial statements, all intercompany balances and transactions, income, expenses and profits and losses from intra group transactions, have been eliminated in full. Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the Group.

(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 2013 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 30 June 2013 the Group had cash reserves of $16,602,849. The cash reserves are sufficient to meet the Group's planned expenditure exploration activities for the 12 months to 30 June 2014.

The 2013 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(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.

(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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(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.

Available-for-sale-financial assets

Available-for-sale financial assets are those non-derivative financial assets, principally equity securities that are designated as available-for-sale or not classified as any of financial assets at fair value through profit and loss; held-to-maturity investments or loans and receivables. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value of investments that are actively traded in organised financial markets are determined by reference to quoted market bid prices at the close of business on reporting date. For investments with no active market, fair values are determined using valuation techniques. Such techniques include: recent arm's length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis, and option pricing models, making as much use of available and supportable market data as possible and keeping judgemental inputs to a minimum.

(j) Investments in associates

The Group's investment in its associates is accounted for using the equity method of accounting in the consolidated financial statements and at cost in a subsidiary company. The associates are entities over which the Group has significant influence and that are neither subsidiaries nor joint ventures.

The Group generally deems they have significant influence if they have over 20% of the voting rights.

Under the equity method, investments in associates are carried in the consolidated statement of financial position at costs plus post-acquisition changes in the Group's share of net assets of the associates.

The Group's share of an associate's profit or losses is recognised in the consolidated statement of comprehensive income, and its share of movements in reserves is recognised in reserves. The cumulative movements are adjusted against the carrying amount of the investment.

(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 4 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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(k) Plant and equipment (cont)

The recoverable amount of plant and equipment is the greater of fair value less costs to sell 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.

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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(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.

(p) Interests in joint ventures

Jointly controlled assets

A jointly controlled asset involves joint control and offers joint ownership by the Group and other venturers of assets contributed to or acquired for the purposes of the joint venture, without the formation of a corporation, partnership or entity.

The Group accounts for its share of the jointly controlled 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 venture's output, together with its share of the expenses incurred by the joint venture, and any expenses it incurs in relation to its interest in the joint venture.

(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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(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

Wages, salaries, annual leave and sick leave

Liabilities for wage and salaries, including non-monetary benefits and 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.

Long service leave

The liability for long service leave is 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 13 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').

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(t) Share-based payment transactions (cont)

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.

(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.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(w) Income tax (cont)

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.

Tax consolidation legislation

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

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(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 petroleum exploration.

The following tables represent revenue, profit/(loss) information and certain asset and liability information regarding operating segments for the years ended 30 June 2013 and 30 June 2012.

BUSINESS SEGMENTS	METHANOL & LNG DEVELOPMENT		PETROLEUM EXPLORATION		CONSOLIDATED	
	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$
Revenue:						
Segment income	-	-	-	-	-	-
Interest and other income					1,005,266	3,470,659
Total consolidated income					**1,005,266**	**3,470,659**
Result:						
Segment loss	(278,055)	(1,090,866)	(60,443,484)	(16,611)	(60,721,539)	(1,107,477)
Non-segment revenue/(expenses):						
- Interest and other income					1,005,266	3,470,659
- Net administration costs					(7,697,729)	(8,873,349)
Share of losses of an associate					-	(315,000)
Foreign exchange gains					435,129	1,353,693
Loss before income tax					(66,978,873)	(5,471,474)
Income tax expense					(231,221)	(226,459)
Net loss for the year					**(67,210,094)**	**(5,697,933)**

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	
	2013	2012
	$	$
Consultants fees and expenses	1,345,291	1,851,125
Directors remuneration (excluding share based payments)	320,073	310,650
Salaries and on-costs	4,645,372	4,040,918
Share based payments	641,911	858,235
Administration and other expenses	739,948	1,078,645
Audit costs	94,000	90,685
Securities exchange, share registry and reporting costs	192,940	218,377
Operating lease expenses	513,021	451,248
Investor relations and corporate promotion costs	321,023	237,381
Travel costs	674,619	882,183
Depreciation and amortisation expense	624,549	428,062
Gross administration costs	10,112,747	10,447,509
Less allocation to exploration activities	(2,415,018)	(1,574,160)
Net administration costs	7,697,729	8,873,349

NOTE 5 INCOME TAX

Statement of Comprehensive Income	Consolidated 2013 $	Consolidated 2012 $
Current income tax		
Current income tax credit/(expense)	2,675,743	6,660,599
Tax losses (not recognised as not probable)/ recognised as now probable	(5,197,368)	3,754,875
	(2,521,625)	10,415,474
Deferred income tax		
Relating to origination and reversal of temporary differences	2,290,404	(10,641,933)
	2,290,404	(10,641,933)
Income tax expense reported in the Statement of Comprehensive Income	(231,221)	(226,459)

Statement of Changes in Equity	Consolidated 2013 $	Consolidated 2012 $
Deferred income tax related to items charged or credited directly to equity		
Unrealised gain on available-for-sale investments reclassified to profit and loss	-	15,734
Share issue costs	139,474	-
Share issue costs not recognised as not probable	(83,684)	-
Amount recognised in respect of prior years share issue costs now considered probable	175,431	210,725
Income tax benefit reported in equity	231,221	226,459

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:

	Consolidated 2013 $	Consolidated 2012 $
Accounting loss before tax	(66,978,873)	(5,471,474)
At the Group's statutory 30% tax rate (2012: 30%)	20,093,662	1,641,442
Share based payment expense	(192,573)	(257,471)
Non-deductible expenses	(4,355)	(7,140)
Difference in overseas tax rates	(14,930,587)	(5,358,165)
Tax losses (not brought to account) / brought to account	(5,197,368)	3,754,875
Income tax expense reported in the Statement of Comprehensive Income	(231,221)	(226,459)

NOTE 5 INCOME TAX (cont)

Deferred Income Tax	Statement of Financial Position		Income Statement	
	2013	2012	2013	2012
	$	$	$	$
Deferred income tax at 30 June relates to the following:				
CONSOLIDATED				
Deferred tax liabilities				
Interest receivable	(15,220)	(94,940)	79,720	259,865
Exploration and evaluation costs	(42,935,830)	(45,279,587)	2,343,757	(11,197,828)
Gross deferred income tax liabilities	(42,951,050)	(45,374,527)		
Deferred tax assets				
Investment in associate	274,500	274,500	-	94,500
Accruals	137,228	309,481	(172,253)	144,170
Provisions	152,391	113,211	39,180	57,358
Share issue costs	314,905	315,867	-	-
Temporary differences not recognised as not probable	(83,684)	-	-	-
Tax losses (not brought to account)/brought to account to offset net deferred tax liability	42,155,710	44,361,468	(2,521,625)	10,415,476
Gross deferred income tax assets	42,951,050	45,374,527		
Net deferred tax asset	-	-		
Deferred tax expense			(231,221)	(226,459)

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 $161.5 million (2012: $153.0 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 2013 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	
	2013	**2012**
	$	**$**
Net loss	(67,210,094)	(5,697,933)
	Shares	**Shares**
Weighted average number of ordinary shares used in calculation of basic and diluted loss per share	596,978,632	539,913,260

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	
	2013	**2012**
	$	**$**
Cash at bank and in hand	867,945	4,362,769
Short term deposits	15,734,904	50,968,242
	16,602,849	55,331,011

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.

NOTE 8 TRADE AND OTHER RECEIVABLES

	Consolidated	
	2013	**2012**
	$	**$**
Goods and services tax refund	18,566	175,147
Interest receivable	50,734	316,465
Other	233,537	757,751
	302,837	1,249,363

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 17.

NOTE 9 INVESTMENT IN ASSOCIATE

	Consolidated 2013 $	Consolidated 2012 $
Investment - unlisted entity	-	-

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

	2013	2012
Investment at 1 July 2012	-	-
Investment in associate	915,000	915,000
Cumulative share of losses after tax	(915,000)	(915,000)
Investment at 30 June 2013	-	-

NOTE 10 PROPERTY, PLANT AND EQUIPMENT

Plant and Equipment

	Consolidated 2013 $	Consolidated 2012 $
Plant and Equipment		
At cost	651,527	688,542
Accumulated depreciation	(309,405)	(198,690)
	342,122	489,852
Motor Vehicles		
At cost	264,455	264,455
Accumulated depreciation	(66,105)	(33,139)
	198,350	231,316
Leasehold Improvements		
At cost	769,069	767,837
Accumulated depreciation	(172,981)	(19,196)
	596,088	748,641
Total Property, Plant and Equipment	**1,136,560**	**1,469,809**
Movement in Plant and Equipment		
Net carrying amount at beginning of year	489,852	171,064
Additions	29,032	460,113
Disposals	-	(106,086)
Depreciation	(176,762)	(35,239)
	342,122	489,852
Movement in Motor Vehicles		
Net carrying amount at beginning of year	231,316	81,806
Additions	-	174,271
Depreciation	(32,966)	(24,761)
	198,350	231,316
Leasehold Improvements		
Net carrying amount at beginning of year	748,641	-
Additions	1,232	767,837
Depreciation	(153,785)	(19,196)
	596,088	748,641
Net carrying amount at end of year	**1,136,560**	**1,469,809**

The useful life of the plant and equipment is estimated for 2013 and 2012 is 5 to 15 years.
The useful life of the motor vehicle is estimated for 2013 and 2012 is 8 years.
The useful life of the leasehold is estimated for 2013 and 2012 is 5 years.

NOTE 11 INTANGIBLE ASSETS

	Consolidated 2013 $	Consolidated 2012 $
Software licences at cost	1,205,728	1,184,834
Accumulated amortisation	(698,115)	(437,079)
	507,613	747,755
Movement in Intangibles		
Net carrying amounts at beginning of year	747,755	295,917
Additions	20,894	694,618
Amortisation	(261,036)	(242,780)
Net carrying amount at end of year	507,613	747,755

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

NOTE 12 EXPLORATION AND EVALUATION COSTS

	Consolidated 2013 $	Consolidated 2012 $
Balance at beginning of year	150,329,325	118,677,023
Expenditure for the year	53,233,592	30,975,574
Exploration properties/licences acquired	-	676,728
Expenditure written-off during the year	(60,443,484)	-
	143,119,433	150,329,325

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 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. In particular, the capitalised exploration and evaluation expenditure for the NT/P68 Heron Area of Interest will be subject to review following the exercise or lapse of an option held by the Company's joint venture partner to commit to drilling a further well on the Heron structure. If new information becomes available that suggests the recovery of expenditure is unlikely, the amounts capitalised will need to be reassessed at that time.

Capitalised exploration and evaluation costs at 30 June 2013 are $143,119,433 (June 2012: $150,329,325) which relate to the following:-

Area of Interest	**30 June 2013**	**30 June 2012**
NT/P68	$113,043,670	$112,810,322
AC/P50 & AC/P51 & AC/P53	$8,234,566	$8,128,276
WA-454-P	$7,287,764	$6,446,584
WA-360-P	-	$2,219,675
WA-361-P	-	$998,096
Seruway & South Madura PSC's	$11,543,646	$16,794,928
Gulf of Thailand Concession G2/48	$2,867,433	$2,931,444
WA-488-P	$142,354	-
TOTAL	**$143,119,433**	**$150,329,325**

NOTE 12 EXPLORATION AND EVALUATION COSTS (cont)

In the financial year, the Gurame SE-1XST dry hole result in the Seruway PSC, the Sainampueng-1 well in Gulf of Thailand G2/48 and exploration in other permits resulted in exploration write-offs totalling $60,443,484.

NOTE 13 TRADE AND OTHER PAYABLES

	Consolidated	
	2013	**2012**
	$	**$**
Trade and other payables	1,350,817	3,128,050

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

NOTE 14 PROVISIONS

	Consolidated	
CURRENT	**2013**	**2012**
	$	**$**
Employee benefits		
Annual leave entitlement	225,175	177,009
NON-CURRENT		
Employee benefits		
Long service leave entitlement	282,795	200,360

NOTE 15 CONTRIBUTED EQUITY AND RESERVES

	Consolidated			
	2013	**2013**	**2012**	**2012**
	Shares	**$**	**Shares**	**$**
ISSUED AND PAID UP CAPITAL				
Ordinary shares	627,264,587	259,934,368	539,913,260	240,861,060

	2013	**2013**	**2012**	**2012**
	Shares	**$**	**Shares**	**$**
Movements in Ordinary Shares				
Balance at beginning of year	539,913,260	240,861,060	539,913,260	240,650,334
Share Issues:				
Placement of shares at $0.245 per share	40,816,327	10,000,000	-	-
Transaction costs (net of tax)	-	(233,692)	-	210,726
Share Purchase Plan shares at $0.20 per share	46,535,000	9,307,000	-	-
Balance at end of year	627,264,587	259,934,368	539,913,260	240,861,060

(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.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 15 CONTRIBUTED EQUITY AND RESERVES (cont)

(b) Share Options and Performance Rights

At 30 June 2013 18,855,000 options over unissued shares granted to directors, executives and consultants were outstanding and 700,000 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.

ACCUMULATED LOSSES

	Consolidated	
	2013	**2012**
	$	**$**
Balance at beginning of year	(36,645,388)	(32,271,355)
Net loss for the year	(67,210,094)	(5,697,933)
Transfer from share based payments reserve - cost of equity instruments expired unexercised	-	1,323,900
Balance at end of year	(103,855,482)	(36,645,388)

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

NOTE 15 CONTRIBUTED EQUITY AND RESERVES (cont)

OTHER RESERVES

	Consolidated			
	***Share based payments reserve**	****Net unrealised gains reserve**	*****Foreign currency translation reserve**	**Total**
	$	$	$	$
At 1 July 2011	1,520,440	36,711	-	1,557,151
Cost of share based payments	858,235	-	-	858,235
Cost of unvested expired equity instruments transferred to accumulated losses	(1,323,900)	-	-	(1,323,900)
Net gains on available-for-sale investments reclassified to profit and loss	-	(52,445)	-	(52,445)
Income tax on items taken directly to or transferred from equity reclassified to profit and loss	-	15,734	-	15,734
Exchange differences on translation of foreign operations	-	-	351,397	351,397
At 30 June 2012	1,054,775	-	351,397	1,406,172
Cost of share based payments	641,911	-	-	641,911
Cost of unvested expired equity instruments transferred to accumulated losses	-	-	-	-
Exchange differences on translation of foreign operations	-	-	1,683,536	1,683,536
At 30 June 2013	1,696,686	-	2,034,933	3,713,619

**** 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.

***** Net unrealised gain reserve***

This reserve records movements in fair value of available for sale financial assets.

****** 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 16 CASH FLOW STATEMENT RECONCILIATION

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

	Consolidated	
	2013	**2012**
	$	**$**
Net (loss)/profit	(67,210,094)	(5,697,933)
Adjustments for:		
Gain on disposal of "available for sale" financial assets	-	(159,081)
Share of losses of an associate	-	315,000
Exploration expenditure written-off	60,443,484	16,611
Depreciation and amortisation	624,549	428,062
Share based payments	641,911	858,235
Exchange rate adjustments	(435,129)	(1,353,693)
Deferred income tax expense	231,221	226,459
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	(379,963)	755,969
(Decrease)/increase in trade and other payables	(86,725)	667,307
(Decrease)/increase in provisions	130,601	191,194
Net cash flows (used in) operating activities	(6,040,145)	(3,751,870)

NOTE 17 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, 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 and trade payables, 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 2013 (2012: $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 17 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 2013 $	Consolidated 2012 $
Cash and cash equivalents	16,602,849	55,331,011

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% (2012: 4.5%) 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 2013 $	Consolidated Net Profit 2012 $
+1.0% (100 basis points) increase/decrease in interest rates with all other variables held constant	81,000	365,000
-1.0% (100 basis points) increase/decrease in interest rates with all other variables held constant	(81,000)	(365,000)

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 2013 $	Consolidated 2012 $
USD		
Cash	7,851,964	18,786,807
Total Financial Assets	7,851,964	18,786,807
	2013 $	**2012 $**
Trade Creditors	624,463	505,182
Total Financial Liabilities	624,463	505,182

NOTE 17 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	
	2013 $	**2012 $**
10% strengthening in AUD/USD rate (for 2013 from 0.9275 to 1.02025 and for 2012 from 1.0191 to 1.12101) with all other variables held constant	(708,405)	(1,714,000)
10% weakening in AUD/USD rate (for 2013 from 0.9275 to 0.83475 and for 2012 from 1.0191 to 0.91719) with all other variables held constant	865,828	2,095,000

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 $1,350,817 (2012: $3,128,050) of financial liabilities consisting of trade and other payables. All financial liabilities have a contractual maturity of 30 days.

Fair Values

The aggregate net fair values of the financial assets and liabilities are the same as the carrying values in the statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2013

NOTE 18 COMMITMENTS AND CONTINGENCIES

Commitments

	Consolidated	
	2013	**2012**
	$	**$**
Operating Lease		
Future minimum rentals payable under operating lease for office premises at balance date:		
Payable not later than one year	517,704	490,802
Payable later than one year but not later than five years	1,240,665	1,732,732
	1,758,369	2,223,534

Exploration Commitments

- NT/P68 (MEO 50%)

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. 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 4 Permit obligation (ending 26 April 2014) consists of an exploration well. The Australian Government has advised that the Heron South-1 drilled in 2012 is credited as meeting the Year 4 work program. Year 5 Permit obligation (beginning 27 April 2014) is geotechnical studies.

-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 5 March 2015. Permit Year 2 (ending 5 March 2014) work program is 3D seismic reprocessing and Permit Year 3 (ending 5 March 2015) work program is geotechnical studies.

-WA-361-P (MEO 50%)

In January 2011, WA-361-P was renewed for a further five years with a minimum commitment being the three-year primary term ending 30 January 2014. Permit Year 3 (ending 30 January 2014) work program consists of 3D seismic interpretation and 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 6 July 2014. Permit Year 3 (ending 6 July 2014) work program consists of geotechnical studies.

-AC/50 (MEO 100%)

AC/P50 entered into the secondary term (permit years 4-6) of their six year permit term on 21 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. The work program for Permit Year 5 (ending 20 April 2014) consists of geotechnical studies and the work program for Permit Year 6 (ending 20 April 2015) is an exploration well.

NOTE 18 COMMITMENTS AND CONTINGENCIES (cont)

-AC/P51 (MEO 100%)

AC/P51 entered into the secondary term (permit years 4-6) of their six year permit term on 21 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. The work program for Permit Year 5 (ending 20 April 2014) consists of 174sq km Multi-Azimuth 3D processing which has been completed. The work program for Permit Year 6 (ending 20 April 2015) is an exploration well.

- WA-454-P (MEO 100% at 30 June 2013)

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 8 June 2014. In February 2012 MEO received approval from the Designated Authority to vary the minimum work program with the Permit Year 1 work program (ending 8 June 2012) - 583km^2 3D seismic survey, Permit Year 2 work program (ending 8 June 2013) is geological studies, and Permit Year 3 work program (ending 8 June 2014) is geological studies. The secondary work program consists of Permit Year 4 - geotechnical studies, Permit Year 5 – exploration well and Permit Year 6 – geotechnical studies.

In July 2013, a binding farmout agreement was executed with Origin Energy Resources Limited (a subsidiary of Origin Energy Limited) whereby Origin will acquire a 50% interest in WA-454-P following regulatory approvals, which will see Origin funding 80% of the year 5 exploration well to a cap A$35 million excluding production testing. The well cap assumes an exchange rate of parity between the A$ and US$. The well cap assumes 65% of the well costs will be denominated in US$ and will be adjusted to the prevailing exchange rate at the time of drilling.

- 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 21 May 2014) is 400km 2D seismic reprocessing; Permit Year 2 work program (ending 21 May 2015) is geological studies and Permit Year 3 work program (ending 21 May 2016) is an exploration well. MEO has previously announced that a farmout/partial sale process will commence in quarter 3 - 2013.

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

The 10th and final year of the PSC commences 12 December 2013 through to 11 December 2014. A work program and budget for the final year of the PSC will be agreed with SKMIGAS prior to 12 December 2013. The work program becomes guaranteed once a permit year has commenced and all work specified for that year must be completed. MEO has previously announced a farmout/partial sale process for the PSC.

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

The 10th and final contract year of the PSC ends on 13 October 2013.

-Gulf of Thailand Concession G2/48 (MEO 50%)

Subject to receiving Thai government approval, the G2/48 Concession will be renewed for a further 3 years commencing 8 January 2013 - 7 January 2016. The Year 1 work program (ending 7 January 2014) is geological studies, Year 2 work program is an exploration well and Year 3 work program is geological studies. The 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

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 $22.9 million of which $2.5 million is estimated to be payable within one year and $20.4 million is expected to be payable after one year but not more than five years.

NOTE 19 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 2013	2012
		%	%
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	-
Seruway Offshore Exploration Limited	British Virgin Islands	100	100
South Madura Exploration Company Ltd	British Virgin Islands	100	100
Rayong Offshore Exploration Limited	British Virgin Islands	100	100
MEO Malaysia Pty Ltd	Australia	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 South Madura Exploration Company Ltd which in turn holds a 90% interest in the South Madura Production Sharing Contract in Indonesia.
- a 100% interest in Rayong Offshore Exploration Limited which will hold a 50% interest in the Gulf of Thailand Concession G2/48.
- a 100% interest in MEO Malaysia Pty Ltd (an Australian company incorporated in 2013)

**Innovative Energy Pty Ltd holds a 9% interest in Territory Biofuels Pty Limited a company incorporated in Australia.

***Finniss Offshore Exploration Pty Ltd was incorporated in 2013.

NOTE 20 KEY MANAGEMENT PERSONNEL

Directors

N M Heath J Hendrich G A Short M J F Sweeney S W Hopley

Executives

C H Naylor R J D Gard R Zammit

Consultants holding key management positions

D Maughan	Exploration Manager (retired 1 June 2013)
P Stickland	Exploration Manager (appointed 1 June 2013)
K Hendrick	Implementation Manager

There were no other changes to the directors and executive after the reporting date and before the date the financial report was authorised for issue.

NOTE 20 KEY MANAGEMENT PERSONNEL (cont)

Compensation of key management personnel by category:

	Consolidated 2013	2012
	$	$
Short term employee benefits and fees	2,263,428	2,208,901
Post employment benefits	158,180	195,047
Share-based payments	318,116	423,417
Long service leave	26,571	48,436
	2,766,295	2,875,801

Details of compensation of individual key management personnel are set out in the Remuneration Report.

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

Director	Consulting Services Fees Paid 2013	2012	Outstanding at Balance Date 2013	2012
	$	$	$	$
G A Short	4,750	21,850	-	-
S W Hopley	-	3,150	-	-
	4,750	25,000	-	-

Movement in shares

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 2013	Held at 1 July 2012	Purchases	Received on Exercise of Options	Sales	Held at 30 June 2013
Shares held in MEO Australia Limited (number)					
Non-executive directors					
N M Heath	1,233,079	296,551	-	-	1,529,630
G A Short	407,444	235,000	-	-	642,444
M J F Sweeney	206,130	75,000	-	-	281,130
S W Hopley	100,000	100,000	-	-	200,000
Executives					
J Hendrich (Executive Director)	1,261,000	75,000	-	-	1,336,000
C H Naylor	490,000	75,000	-	-	565,000
R J D Gard	2,200,000	150,000	-	-	2,350,000
R Zammit	380,000	150,000	-	(420,000)	110,000
Contractors					
D Maughan	317,498	75,000	-	-	392,498
K Hendrick	1,555,000	75,000	-	-	1,630,000
P Stickland (*)	-	-	-	-	78,700

(*) shares held 1 June 2013 (date of appointment as Exploration Manager)

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

NOTE 20 KEY MANAGEMENT PERSONNEL (cont)

30 June 2012	Held at 1 July 2011	Purchases	Received on Exercise of Options	Sales	Held at 30 June 2012
Shares held in MEO Australia Limited (number)					
Non-executive directors					
N M Heath	1,035,088	197,991	-	-	1,233,079
G A Short	207,444	200,000	-	-	407,444
M J F Sweeney	139,984	66,146	-	-	206,130
S W Hopley	70,000	30,000	-	-	100,000
Executives					
J Hendrich (Executive Director)	1,261,000	-	-	-	1,261,000
C H Naylor	490,000	-	-	-	490,000
R J D Gard	2,000,000	200,000	-	-	2,200,000
R Zammit*	-	380,000	-	-	380,000
Contractors					
D Maughan	317,498	-	-	-	317,498
K Hendrick	1,555,000	-	-	-	1,555,000

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

* Mr Zammit held no MEO shares at commencement of employment with MEO Australia on 1 December 2011.

Options over equity instruments

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 2012	Granted as Remuneration	Options Exercised	Options Lapsed	Held at 30 June 2013	Vested in 2013	Vested and exercisable at 30 June 2013
Options (number)							
Non-executive directors							
N M Heath	900,000	-	-	-	900,000	300,000	300,000
G A Short	900,000	-	-	-	900,000	300,000	300,000
M J Sweeney	900,000	-	-	-	900,000	300,000	300,000
S W Hopley	900,000	-	-	-	900,000	300,000	300,000
Executive Director and other Executives							
J Hendrich	3,000,000	-	-	-	3,000,000	1,000,000	1,000,000
C H Naylor	1,000,000	-	-	-	1,000,000	500,000	500,000
R J D Gard	1,000,000	-	-	-	1,000,000	500,000	500,000
R Zammit	1,000,000	-	-	-	1,000,000	500,000	500,000
Contractors							
D Maughan	500,000	-	-	-	500,000	250,000	250,000
K Hendrick	500,000	-	-	-	500,000	250,000	250,000
P Stickland	500,000	-	-	-	500,000	250,000	250,000

NOTE 20 KEY MANAGEMENT PERSONNEL (cont)

Options over equity instruments (cont)

	Held at 1 July 2011	Granted as Remuneration	Options Exercised	Options Lapsed	Held at 30 June 2012	Vested in 2012	Vested and exercisable at 30 June 2012
Options (number)							
Non-executive directors							
N M Heath	-	900,000	-	-	900,000	-	-
G A Short	-	900,000	-	-	900,000	-	-
M J Sweeney	1,000,000	900,000	-	1,000,000	900,000	-	-
S W Hopley	1,000,000	900,000	-	1,000,000	900,000	-	-
Executive Director and other Executives							
J Hendrich	3,100,000	3,000,000	-	3,100,000	3,000,000	-	-
C H Naylor	900,000	1,000,000	-	900,000	1,000,000	-	-
R J D Gard	900,000	1,000,000	-	900,000	1,000,000	-	-
R Zammit	-	1,000,000	-	-	1,000,000	-	-
Contractors							
D Maughan	450,000	500,000	-	450,000	500,000	-	-
K Hendrick	450,000	500,000	-	450,000	500,000	-	-

Share performance rights

The movement during the reporting period in the number of share performance rights 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 2012	Granted as Remuneration	Rights Exercised	Rights Lapsed	Held at 30 June 2013
Share performance rights (number)					
Executive Director					
J Hendrich	-	1,050,000	-	350,000	700,000

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 (2012: 15,255,000 share options). 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:

	2013 Options	**2012 Options**
Outstanding at the beginning of the year	18,855,000	11,400,000
Granted during the year	-	15,255,000
Forfeited during the year	-	(7,800,000)
Exercised during the year	-	-
Outstanding at the end of the year	18,855,000	18,855,000

NOTE 21 SHARE BASED PAYMENT PLANS (cont)

- 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

  The total amount expensed in the year relating to these share options was $10,125 (2012: $27,925).

- 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 $49,774 (2012: $71,354).

- 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 $98,140 (2012: $97,373).

NOTE 21 SHARE BASED PAYMENT PLANS (cont)

- 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 $70,500 (2012: $141,700).

- 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 $170,185 (2012: $158,029).

- 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 $180,094 (2012: $53,737).

NOTE 21 SHARE BASED PAYMENT PLANS (cont)

Share Performance Rights

During the year 1,050,000 share performance rights were granted to the Managing Director & Chief Executive Officer (2012: nil). 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:

	2013 Rights	2012 Rights
Outstanding at the beginning of the year	-	-
Granted during the year	1,050,000	-
Forfeited during the year	(350,000)	-
Exercised during the year	-	-
Outstanding at the end of the year	700,000	-

- In November 2012, 1,050,000 performance rights were granted to the managing director and chief executive officer. The shares will be issued 1/3rd on 1 July 2013, 1/3rd on 1 July 2014 and 1/3rd on 1 July 2015 on the condition of the Volume Weighted Average Price remaining at 50c in 2012/2013 for 30 continuous days, 75 cents in 2013/2014 for 30 continuous days and $1.00 in 2014/2015 financial years for 30 continuous days.

NOTE 22 AUDITORS' REMUNERATION

	Consolidated 2013 $	2012 $
Amounts received or due and receivable by Ernst & Young (Australia) for:		
Audit or review of the financial reports	94,000	90,685
	94,000	90,685
Amounts received or due and receivable by related practices of Ernst & Young (Australia) for:		
Agreed Upon Procedures for "Non-Income Tax Review" and "Contractor to Payment Process" for offshore subsidiary company	-	21,318
	94,000	112,003

NOTE 23 INTERESTS IN JOINTLY CONTROLLED ASSETS

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 Venture. The principal activity of the joint venture 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 venture is the exploration, development and production of hydrocarbons.

MEO Australia, through its wholly-owned subsidiary - South Madura Exploration Company Ltd, holds a 90% interest in the South Madura Production Sharing Contract. The principal activity of the joint venture is the exploration, development and production of hydrocarbons.

NOTE 23 INTERESTS IN JOINTLY CONTROLLED ASSETS (cont)

MEO Australia, through its wholly-owned subsidiary - Rayong Offshore Exploration Limited, holds a 50% interest in Gulf of Thailand Concession G2/48. The principal activity of the joint venture is the exploration, development and production of hydrocarbons.

Commitments related to joint venture assets

Commitments relating to the joint venture assets are set out in note 18 to the accounts.

Contingent liabilities

As at 30 June 2013, there are no contingent liabilities relating to NT/P68, WA-361-P, WA-360-P, South Madura PSC or G2/48 Concession.

NOTE 24 PARENT ENTITY INFORMATION

	2013	**2012**
Information relating to MEO Australia Limited	**$**	**$**
Current assets	16,320,033	55,856,734
Total assets	**148,593,508**	**200,199,917**
Current liabilities	677,783	2,600,001
Total liabilities	**960,578**	**2,800,361**
Issued capital	257,103,231	238,261,144
Share based payments reserve	1,696,686	1,054,775
Accumulated losses	(111,166,987)	(41,916,363)
Total shareholders' equity	**147,632,930**	**197,399,556**
Loss of the parent entity	(69,250,624)	(5,225,479)
Total comprehensive loss of the parent entity	(69,250,624)	(5,225,479)
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

In July 2013, a binding farmout agreement in relation to WA-454-P was executed with Origin Energy Resources Limited (a subsidiary of Origin Energy Limited). Origin will acquire a 50% interest in the Permit 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$35m excluding production testing. The well cap assumes an exchange rate of parity between the A$ and US$. The well cap assumes 65% of the well costs will be denominated in US$ and will be adjusted to the prevailing exchange rate at the time of drilling.

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 2013 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 2013.

    (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 in accordance with Section 295A of the *Corporations Act* 2001 for the financial year ended 30 June 2013.

On behalf of the Board

J HENDRICH
Managing Director & Chief Executive Officer
Melbourne, 18th September 2013

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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 2013, 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, 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 2013 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.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2013. 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 2013, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

Ernst & Young

Matthew A. Honey
Partner
Melbourne
18 September 2013