

MEC RESOURCES LTD

ABN 44 113 900 020

Appendix 4E
Preliminary Final Report
For the year ended 30 June 2007

**Appendix 4E - Preliminary Final Report
MEC Resources Ltd
For the Year Ended 30 June 2007**

Results for announcement to the market

\$A'000

Revenues from ordinary activities	Up	387.56 %	to	106
Loss from ordinary activities after tax attributable to members	Up	580.38 %	to	(728)
Net loss for the financial year attributable to members	Up	580.38%	to	(728)
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend		nil		nil
Interim dividend				
Previous corresponding period		n/a		n/a

Other notes to the condensed financial statements

	Current period	Previous corresponding Period
Ratios		
Profit before tax / revenue³		
Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue	(686.87)%	(492.21) %
Profit after tax / equity interests		
Consolidated net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(15.31)%	(2.47) %
	Current period	Previous corresponding period
NTA Backing		
Net tangible asset backing per ordinary security	5.9 cps	8.1 cps

The accounts are in the process of being audited or subject to review.

Income Statement for the year ended 30 June 2007

MEC Resources Ltd

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Revenue	2	105,971	21,735	112,686	21,735
Administration expenses		(48,529)	(14,132)	(47,775)	(14,132)
Consulting and Legal expenses		(308,427)	(73,819)	(308,427)	(73,819)
Depreciation and amortisation expense		(110)	-	(110)	-
Employee expenses (director fees)		(140,625)	-	(140,625)	-
Prospectus expenses		(30,739)	(916)	(30,739)	(916)
Service Fees		(216,000)	(18,000)	(216,000)	(18,000)
Traveling expenses		(54,750)	(9,953)	(54,750)	(9,953)
Other expenses from ordinary activities		(34,674)	(11,896)	(34,654)	(11,896)
<i>Loss Before Income Tax</i>		(727,883)	(106,981)	(720,394)	(106,981)
Income tax expense		-	-	-	-
<i>Loss from continuing operations</i>		(727,883)	(106,981)	(720,394)	(106,981)
<i>Loss for the year</i>		(727,883)	(106,981)	(720,394)	(106,981)
<i>Loss attributable to members of the parent entity</i>		(727,883)	(106,981)	(720,394)	(106,981)
<i>Earnings Per Share –</i>					
<i>Basic earnings per share (cents per share)</i>	3	(1.395)	(1.837)		
<i>Diluted earnings per share (cents per share)</i>		(1.055)	(1.554)		

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2007

MEC Resources Ltd

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Current Assets					
Cash and cash equivalents		3,027,592	4,213,588	3,026,798	4,213,588
Trade and other receivables		192,005	51,524	191,153	51,524
Total Current Assets		3,219,597	4,265,112	3,217,951	4,265,112
Non-Current Assets					
Other non-current assets - loans		-	37,158	-	37,158
Capitalised exploration costs		686,270	-	26,965	-
Investments accounted for using the equity method		-	-	-	-
Financial assets		148,360	-	808,422	-
Property, plant & equipment		1,740	-	1,740	-
Total Non-Current Assets		836,370	37,158	837,127	37,158
Total Assets		4,055,967	4,302,270	4,055,078	4,302,270
Current Liabilities					
Trade and other payables		137,608	50,352	129,230	50,352
Other financial liabilities		-	26,190	-	26,190
Short-term provisions		-	-	-	-
Total Current Liabilities		137,608	76,542	129,230	76,542
Non Current Liabilities					
Long-term borrowings		-	-	-	-
Total Non Current Liabilities		-	-	-	-
Total Liabilities		137,608	76,542	129,230	76,542
Net Assets		3,918,359	4,225,728	3,925,848	4,225,728
Equity					
Issued capital	4	4,753,223	4,332,709	4,753,223	4,332,709
Accumulated losses		(834,864)	(106,981)	(827,375)	(106,981)
Total Equity		3,918,359	4,225,728	3,925,848	4,225,728

The accompanying notes form part of the financial statements.

Statement of Changes in Equity as at 30 June 2007

MEC Resources Ltd

	Consolidated		Total \$
	Ordinary Share Capital \$	Accumulated losses \$	
Balance at 1 July 2005	-	-	-
Shares Issued during the financial year	4,332,709	-	4,332,709
Profit attributable to members of the consolidated entity	-	(106,981)	(106,981)
Balance at 30 June 2006	4,332,709	(106,981)	4,225,728
Balance at 1 July 2006	4,332,709	(106,981)	4,225,728
Shares Issued during the financial year	420,514	-	420,514
Profit attributable to members of the consolidated entity	-	(727,883)	(727,883)
Balance at 30 June 2007	4,753,223	(834,864)	3,918,359

	Company		Total \$
	Ordinary Share Capital \$	Accumulated losses \$	
Balance at 1 July 2005	-	-	-
Shares Issued during the financial year	4,332,709	-	4,332,709
Profit attributable to members of parent entity	-	(106,981)	(106,981)
Balance at 30 June 2006	4,332,709	(106,981)	4,225,728
Balance at 1 July 2006	4,332,709	(106,981)	4,225,728
Shares Issued during the financial year	420,514	-	420,514
Profit attributable to members of parent entity	-	(720,394)	(720,394)
Balance at 30 June 2007	4,753,223	(827,375)	3,925,848

The accompanying notes form part of these financial statements.

Statement of Cash Flows as at 30 June 2007

MEC Resources Ltd

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
<i>Cash Flows From Operating Activities</i>					
Payments to suppliers and employees		(913,160)	(103,698)	(919,911)	(103,698)
Interest received		105,973	21,735	112,686	21,735
Net cash used in operating activities		(807,187)	(81,963)	(807,225)	(81,963)
<i>Cash Flows From Investing Activities</i>					
Amounts from other entities		37,158	(37,158)	37,158	(37,158)
Payment for investments		(834,631)	-	(835,387)	-
Payment for property, plant and equipment		(1,850)	-	(1,850)	-
Net cash used in investing activities		(799,323)	(37,158)	(800,079)	(37,158)
<i>Cash Flows From Financing Activities</i>					
Proceeds from capital raising		420,514	5,064,826	420,514	5,064,826
Share issue costs		-	(732,117)	-	(732,117)
Net cash provided by financing activities		420,514	4,332,709	420,514	4,332,709
<i>Net increase (decrease) in Cash Held</i>		(1,185,996)	4,213,588	(1,186,790)	4,213,588
<i>Cash At the Beginning Of The Financial Year</i>		4,213,588	-	4,213,588	-
<i>Cash At The End Of The Financial Year</i>		3,027,592	4,213,588	3,026,798	4,213,588

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2007

MEC Resources Ltd

1. Statement of Significant Accounting Policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, including Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report covers the consolidated group of MEC Resources Limited and controlled entities and MEC Resources Limited as an individual parent entity. MEC Resources Limited is a listed public company, incorporated and domiciled in Australia.

The financial report of MEC Resources Limited and controlled entities, and MEC Resources Limited as an individual parent entity comply with all International Financial Reporting Standards (IFRS) in their entirety.

The following is a summary of the material accounting policies adopted by the consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Basis of Preparation

The accounting policies set out below have been consistently applied to all years presented.

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, and financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

Principles of Consolidation

A controlled entity is any entity MEC Resources Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the consolidated group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

(a) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date.

Notes to the Financial Statements for the year ended 30 June 2007

MEC Resources Ltd

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

MEC Resources Ltd and its wholly-owned Australian subsidiaries have formed an income tax consolidated group under the tax consolidation regime. MEC Resources Ltd is responsible for recognising the current and deferred tax assets and liabilities for the tax consolidated group. The group notified the Australian Taxation Office on 30 June 2006 that it had formed an income tax consolidated group to apply from 30 June 2006. The tax consolidated group has entered a tax sharing agreement whereby each company in the group contributes to the income tax payable in proportion to their contribution to the net profit before tax of the tax consolidated group.

(b) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

Costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology on an undiscounted basis.

Notes to the Financial Statements for the year ended 30 June 2007

MEC Resources Ltd

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(c) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Financial assets at fair value through profit and loss

A financial asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held-to-maturity investments

These investments have fixed maturities, and it is the group's intention to hold these investments to maturity. Any held-to-maturity investments held by the group are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories.

Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivative instruments are measured at fair value. Gains and losses arising from changes in fair value are taken to the income statement unless they are designated as hedges.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the group assess whether there is objective evidence that a financial instrument has been impaired. In the case of available-for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

(d) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(e) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

(f) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(g) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(h) Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(i) Rounding of Amounts

The parent entity has applied the relief available to it under ASIC Class Order 98/100 and accordingly, amounts in the financial report and directors' report have been rounded off to the nearest dollar.

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

No impairment has been recognised in respect of goodwill for the year ended 30 June 2007.

Notes to the Financial Statements for the year ended 30 June 2007

MEC Resources Ltd

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
2. Revenue				
Operating activities				
Interest revenue : other entities	105,971	21,735	112,686	21,735
Total revenue	105,971	21,735	112,686	21,735

	Consolidated	
	2007 \$	2006 \$
3. Earnings per share		
(a) Reconciliation of Earnings to Profit or Loss		
Loss	(727,883)	(106,981)
Earnings used to calculate basic EPS	(727,883)	(106,981)
Earnings used in the calculation of dilutive EPS	(727,883)	(106,981)
(b) Reconciliation of Earnings to Profit or Loss from continuing operations		
Loss from continuing operations	(727,883)	(106,981)
Earnings used to calculate basic EPS from continuing operations	(727,883)	(106,981)
Earnings used in the calculation of dilutive EPS from continuing operations	(727,883)	(106,981)
(c)	No.	No.
Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	52,183,846	5,823,369
Weighted average number of options outstanding	16,798,521	1,060,274
Weighted average number of ordinary shares outstanding during the year used in calculating dilutive EPS	68,982,367	6,883,643

Notes to the Financial Statements for the year ended 30 June 2007

MEC Resources Ltd

	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
52,260,942 (2006: 52,170,942) fully paid ordinary shares	5,102,425	5,064,826	5,102,425	5,064,826
41,499,588 (2006: nil) fully paid options	384,964	-	384,964	-
Less: Capital raising costs	(734,166)	(732,117)	(734,166)	(732,117)
Issued Capital	4,753,223	4,332,709	4,753,223	4,332,709
(a) Ordinary Shares	No	No	No	No
At the beginning of reporting period	52,170,942	-	52,170,942	-
Shares Issued during the year	90,000	52,170,942	90,000	52,170,942
At reporting date	52,260,942	52,170,942	52,260,942	52,170,942

Capital Raising - UPDATE

On 24 January 2007 the Company issued 36,954,588 listed options and raised \$369,544 via a pro-rata entitlements issue. Conversion of options raised an additional \$15,420. Consulting fees with a value of \$35,550 were paid via the issue of securities to the relevant consultants.

Fully Paid Ordinary Share Capital

Fully paid ordinary shares carry one vote per share and carry the right to dividends.

Options

The market price of the company's ordinary shares at 29 June 2007 was 11.35 cents.

The holders of options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

The difference between the total market value of options issued during the period, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining directors' and executives' remuneration in respect of that period.