



MEC RESOURCES LTD

ACN 113 900 020

Annual Financial Report 2007

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MEC Resources Ltd

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Directors

H Goh – Non-Executive Chairman
(appointed 17 November 2006)
S K Yap – Non-Executive Director
D L Breeze – Executive Director and
Company Secretary
C R Murphy – Executive Director
K O Yap – Non-Executive Director
C T Lim – Non-Executive Director

Registered Office

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NORTH PERTH WA 6006

Principal Business Address

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Telephone: (08) 9328 8477
Facsimile: (08) 9328 8733
Website: www.mecresources.com.au
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Auditor

Rix Levy Fowler
Level 1
12 Kings Park Road
West Perth WA 6005

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Australian Securities

Exchange Listing

Australian Securities Exchange Limited
(Home Exchange: Perth, Western Australia)
ASX Code: MMR

Australian Business Number

44 113 900 020

Directors' Report

MEC Resources Ltd

The directors of MEC Resources Ltd present their report on the company for the financial year ended 30 June 2007.

Directors

The names of directors in office at any time during or since the end of the year are:

H Goh (appointed 17 November 2006)

S K Yap

D L Breeze

C R Murphy

K O Yap

C T Lim

Company Secretary

Mr David Leslie Breeze held the position of Company Secretary at the end of the financial year. Mr Breeze was appointed Company Secretary on 20 April 2005. Full details of his qualifications and experience can be found in the information on directors section of the directors' report.

Principal Activities

MEC Resources (*MEC) is registered as a Pooled Development Fund under the Pooled Development Fund Act (1992). It has been formed to invest into exploration companies that are targeting potentially large energy and mineral resources.

MEC will provide carefully selected companies in the energy and mineral exploration sectors with development and exploration funding. MEC intends to identify investment opportunities with a number of specific characteristics including: large targets; a stage of development that permits a strategic investor or PO within several years; strong and experienced management team and a definitive competitive advantage.

MEC is initially working to develop investment opportunities in PEP 11 (offshore Sydney Basin Gas prospect) and Advent Energy

Advent Energy -Oil and Gas

MEC Resources Ltd is acquiring a controlling interest in the unlisted energy explorer Advent Energy Pty Ltd by funding the company with an initial \$1,000,000.

Advent Energy has assembled a range of hydrocarbon permits which contain near term production opportunities with pre-existing infrastructure and exploration upside. It intends to undertake development activities on the tenement package with a view to supplying electrical power generation, gas and diesel markets by developing and value-adding to its oil and gas resources.

Advent Energy is actively seeking further oil and gas permits to include in its portfolio and after completing negotiations will seek a listing of its securities, either directly or indirectly, on the ASX.

Operating Results

Operating loss for the consolidated entity after tax for the year was \$765,217 (2006: \$106,981)

Directors' Report

MEC Resources Ltd

Dividends

The Directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

Financial Position

The net assets of the consolidated entity have decreased by \$307,369 to \$3,918,359 at 30 June 2007. This has resulted primarily from the increase in capitalised exploration costs together with results from normal commercial activities. The consolidated entity also raised \$405,094 from a pro-rata renounceable rights issue in January 2007. Conversion of options raised an additional \$15,420.

Significant Changes In State Of Affairs

During the financial year there were no significant changes in the state of affairs of the entity other than that referred to in the financial statements or notes thereto.

After Balance Date Events

The Company raised \$1,503,000 from a Shareholder Share Purchase Plan (SSPP). It also invested \$1,250,000 in Central Petroleum at 20 cents per share through an underwriting.

Investee Advent Energy Ltd has entered into 2 farmin arrangements with Central Petroleum Ltd and Victoria Petroleum Ltd.

Other than referred to there have not been any matters or circumstance that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Future Developments

The entity will continue to develop its investee portfolio projects including PEP11 and Advent Energy Ltd and will evaluate and invest in a range of resource projects.

Likely Developments

Likely developments which may prejudice the Company by disclosure have not been disclosed.

Information on Directors

H Goh – Appointed 17 November 2006

Non-Executive Chairman – Age 52

Shares held – nil

Listed Options held – nil

Unlisted Options held - nil

Mr Goh was formerly President of Network and Infrastructure Solutions, a division of Schlumberger Limited, based in London with revenue in excess of US\$1.5 billion. He had global responsibility of Schlumberger's outsourcing services, security, business continuity and networked related business units.

Directors' Report

MEC Resources Ltd

Prior to that, Hock was President of Schlumberger Asia based in Beijing, China where he managed their Asian operations consisting of a broad range of services including oil field services, outsourcing, financial software and smartcards. Hock was responsible for US\$800 million in revenue and more than 2,000 employees spread across 17 countries.

In his 25 year career with Schlumberger, Hock held several other field and management responsibilities in the oil and gas industry spanning more than ten countries in Asia, the Middle East and Europe. Hock started as an oil field service engineer in Indonesia in 1980 before moving to Australia where he worked on the rigs in Roma, Queensland, Bass Strait in Victoria and the Northwest Shelf, offshore Western Australia.

Mr Goh is also an operating partner with Baird Capital Partners, the U.S. based buyout fund of Baird Private Equity, providing change-of-control and growth capital to middle-market companies. Baird Private Equity has raised and managed \$1.7 billion in capital.

Hock is the Chairman of Netgain Systems, a network monitoring software provider. He also serves on the Board of Xaloy Holdings, a US based steel components manufacturer for the plastic industry, as well as an independent director of THISS Technologies Pte Ltd, a Singapore based satellite communication provider. He received his B Eng (Hons) in Mechanical Engineering from Monash University, Australia. He also completed an Advanced Management Program at INSEAD/ France in 2004.

S K Yap

Non-Executive Director – Age 52

Shares held – 2,382,250

Listed Options held – 2,382,250

Unlisted Options held – 3,000,000

After graduating from Kyoto University, Seng Yap was employed by Schlumberger Limited, working in international Oil & Gas exploration projects across Asia, Australia and New Zealand. He worked as an International Staff Engineer at various Schlumberger onshore and offshore locations in Indonesia, Brunei, Japan, Australia, New Zealand and Papua New Guinea. He was Engineer in charge of land operations in Western Australia, and worked in Brunei as Engineer-in-Charge.

Seng was head of the joint venture between the NSW Investment Corporation and the venture capital operation of Daiwa Securities. He was Executive Director of Daiwa Securities Australia Limited and was instrumental in the establishment of the Australian stockbroking operations for the company.

Seng also worked as a senior advisor to leading venture capital groups and multi-nationals in Australia, Japan and China, advising on corporate, investment and development strategies. Mr Yap, in his former investment banker role, was the leader in a series of transactions worth in excess of AU\$500 million. He has also been on the Board of several resort management companies.

Seng is currently a Director on the Board of a Japanese Coca-Cola Bottler with an annual turnover of about one billion dollars. He is also a Director for ASX listed Grandbridge Ltd and a number of unlisted companies in Australia, Japan and China. Mr Yap was also an Associate of the Securities Institute of Australia and a Fellow of the Australian Institute of Company Directors.

Directors' Report

MEC Resources Ltd

D L Breeze

Executive Director and Company Secretary – Age 54

Shares held – 5,022,151

Listed Options held – 5,006,252

Unlisted Options held – 3,000,000

David has extensive experience in transaction structuring, corporate advisory and funding for listed and unlisted companies and has held executive, consulting and/or board positions across a range of stockbroking companies in Australia including Daiwa Securities, Eyres Reed McIntosh and BNZ North's.

David Breeze has provided capital raising, valuation and corporate advisory services for a wide ranging group of resources companies including Independent Experts reports for asset valuation under the provisions of the Australian Securities Exchange Rules and Corporations Law. The advisory function included advice on corporate structure, ASX listing rules and the structuring and running of IPO's. He has also published in the Australian Securities Industry Journal on resource valuation.

David has worked on the structuring, capital raising and public listing of over 80 companies involving in excess of \$250M. These capital raisings covered a diverse range of areas including oil and gas, gold, biotechnology and manufacturing. David Breeze is Chairman of Grandbridge Ltd, a publicly listed investment and advisory company and BioPharmica Ltd an ASX listed biotechnology commercialization business.

He holds a Bachelor of Economics and a Masters of Business Administration (MBA) and is a Member of the Australian Institute of Management, an Affiliate member of the Securities Institute of Australia and a Fellow of the Institute of Company Directors of Australia.

C R Murphy

Executive Director – Age 35

Shares held – 3,850,000

Listed Options held – 1,000,000

Unlisted Options held – 3,000,000

Charles has been an advisor and Director for a broad spectrum of companies in resources, energy, healthcare and financial services. He regularly provides strategic input and advice on corporate strategic planning, transaction structuring partnership sourcing and joint ventures.

Charles has previously held Directorships and senior management positions incorporating business and corporate development within VC and private equity funded companies and has experience in the strategic marketing of mining and technology products to the Asia Pacific region.

Charles has held positions on the boards of a number of Australian Securities Exchange listed and private unlisted companies. He is also actively involved in the start-up development, structuring and listing of companies onto the Australian Securities Exchange.

Charles currently serves as a Director of ASX listed investment and advisory company Grandbridge Ltd, ASX listed biotechnology commercialization business BioPharmica Ltd and a number of private emerging growth companies.

Charles holds a Bachelor Degree in Asian Studies and Marketing and a Masters Degree in Business Administration.

Directors' Report

MEC Resources Ltd

K O Yap

Non-Executive Director – Age 45

Shares held – 2,000,000

Listed Options held – 2,000,000

Unlisted Options held – nil

K.O Yap has over 16 years experience in investment banking. Prior to establishing Eton Advisory Services Ltd, Mr. Yap was Head of Corporate Finance at Daiwa Securities (H.K.) Ltd. and Executive Director at Alta Financial Group. His career took him from general audit, computer audit and corporate advisory with Ernst & Young in London to investment banking with Barclays de Zoete Wedd Asia Ltd. and then Daiwa Securities (H.K.) Ltd.

His extensive experience covers all aspects of corporate finance, advisory, M&A and capital raisings throughout Asia. These include privatisation, listing and public offerings from the PRC (Northeast Electric, H-Share), Malaysia (Petronas Gas), Thailand (PTTEP); equity-linked issues from HK (Emperor International) and Thailand (Bangkok Land) and debt issues including a samurai bond for Wharf (H.K.).

Mr. Yap also has extensive experience in mergers and acquisitions (and related restructurings) with transactional experience in Thailand, Indonesia, Malaysia, Hong Kong and China.

Mr. Yap a graduate from the London School of Economics, in 1984, is also a fellow of the Institute of Chartered Accountants in England and Wales.

C T Lim

Non-executive Director – Age 52

Shares held – 2,000,000

Listed Options held – 1,666,667

Unlisted Options held – nil

Mr Lim is a founder and director of Encus International Pte Ltd, a contract design and manufacturing company. Mr Lim was also the Chief Executive of Xpress Holdings Ltd during the period from 2001 to August 2005 and its Group Managing Director in 2000. He is currently an Executive Director of Manufacturing Integration Technology Ltd.

For 20 years Mr Lim was with the Singapore Economic Development Board and held various positions with responsibilities for promoting and developing venture capital, mergers and acquisitions, engineering industries, local enterprises, skills training, automation and overseas investments. This included a period as a Director for the Enterprise Development Division of the Singapore Economic Development Board.

Mr Lim is also involved with several listed and private companies in Singapore.

He is an Independent and Non-Executive Director on the boards of FibreChem Technologies Ltd, Metal Component Engineering Ltd, Rotol Singapore Ltd, all of which are listed on the Singapore Exchange. In addition, he sits on the Boards of GRN Singapore Pte Ltd and Atlas Vending Pte Ltd.

In the academic area, Mr Lim is a member of the Board of Governors of Nanyang Polytechnic in Singapore.

Directors' Report

MEC Resources Ltd

Mr Lim holds a Bachelor of Science (Honours) Degree in Mechanical Engineering from the University of Leeds and a Diploma in Business Administration from the National University of Singapore. In addition, Mr Lim attended the Program for Management Development at Harvard Business School.

Remuneration Report

This report details the nature and amount of remuneration for each director of MEC Resources Ltd, and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of MEC Resources Ltd has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the economic entity's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using the Black-Scholes methodology.

Directors' Report

MEC Resources Ltd

The board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. The remuneration committee determines payments to the non-executive directors and reviews their remuneration annually, based on market practice, duties and accountability. Independent external advice is sought when required. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the economic entity. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the company and are able to participate in the employee option plan.

Details of Remuneration for the year ended 30 June 2007

The remuneration for each director and each of the executive officers of the consolidated entity receiving the highest remuneration during the year was as follows:

2007

Key Management Person	Cash, Salary and Fees	Short-term Benefits			Post-employment Benefits
		Director fees	Non-cash benefit	Other	Superannuation
H Goh	-	-	-	-	-
S K Yap	-	10,000	-	-	-
D L Breeze	65,000	16,666	-	-	-
C R Murphy	65,000	25,000	-	-	-
K O Yap	-	-	-	-	-
C T Lim	-	-	-	-	-

2007 (cont'd)

2007 (cont'd)

Key Management Person	Management	Long-term Benefits	Share-based payment		Total	% of Total remuneration paid in Options
			Other	Equity		
H Goh		-	-	-	-	-
S K Yap		-	-	16,667	26,667	62.50
D L Breeze		-	-	-	81,666	-
C R Murphy		-	-	-	90,000	-
K O Yap		-	-	-	-	-
C T Lim		-	-	16,667	16,667	100.00

Directors' Report

MEC Resources Ltd

2006

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Cash profit share	Non-cash benefit	Other	Superannuation
S K Yap	-	-	-	-	-
D L Breeze	10,833	-	-	-	-
C R Murphy	10,833	-	-	-	-
K O Yap	-	-	-	-	-
C T Lim	-	-	-	-	-

2006 (cont'd)

Key Management Person	Long-term Benefits	Share-based payment		Total	% of Total remuneration paid in Options
	Other	Equity	Options	\$	%
S K Yap	-	-	-	-	-
D L Breeze	-	-	-	10,833	-
C R Murphy	-	-	-	10,833	-
K O Yap	-	-	-	-	-
C T Lim	-	-	-	-	-

The company has agreements with Hebex Pty Ltd and Trandcorp Pty Ltd on normal commercial terms procuring the services of Charles Murphy and David Breeze respectively. Each of these agreements is at the rate of \$65,000 per annum, commencing from the time of receiving listing approval. Board payments may be made up to a level of \$250,000 per annum. Payments are to be made at up to \$25,000 per annum per director commencing in 2007.

Options and Rights Holdings

Number of Unlisted Options Held by Key Management Personnel

	Balance 1.7.2006	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2007	Total Vested 30.6.2007	Total Exercisable 30.6.2007
H Goh	-	-	-	-	-	-	-
S Yap	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
D Breeze	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
C Murphy	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
K Yap	-	-	-	-	-	-	-
C Lim	-	-	-	-	-	-	-

Directors' Report

MEC Resources Ltd

Options and Rights Holdings

Number of Listed Options Held by Key Management Personnel

	Balance 1.7.2006	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2007
H Goh	-	-	-	-	-
S Yap	-	1,666,667	-	715,583	2,382,250
D Breeze	-	-	-	5,006,252	5,006,252
C Murphy	-	-	-	1,000,000	1,000,000
K Yap	-	-	-	2,000,000	2,000,000
C Lim	-	1,666,667	-	-	1,666,667

The Net Change Other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

Shareholdings

Number of Shares Held by Key Management Personnel

	Balance 1.7.2006	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2007
H Goh	-	-	-	-	-
S K Yap	2,382,250	-	-	-	2,382,250
D L Breeze	5,022,151	-	-	-	5,022,151
C R Murphy	3,850,000	-	-	-	3,850,000
K O Yap	2,000,000	-	-	-	2,000,000
C T Lim	2,000,000	-	-	-	2,000,000

Employment contracts of directors and senior executives

The employment conditions of the executive director and specified executives are formalised in contracts of employment. The directors are permanent employees of MEC Resources Ltd. The employment contracts stipulate a six month resignation period. The company may terminate an employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment of six months of the individual's fixed salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will not lapse.

Directors' Report

MEC Resources Ltd

Meetings of Directors

During the financial year, three meetings of directors (including committees of directors) were held. Attendances by each director during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
H Goh	1	1
S K Yap	4	3
D L Breeze	4	4
C R Murphy	4	4
K O Yap	4	3
C T Lim	4	4

Indemnifying Officers or Auditors

During or since the end of the financial year the company has not given an indemnity or entered an agreement to indemnify, but has paid or agreed to pay insurance premiums.

Options

At the date of this report, the unissued ordinary shares of MEC Resources Ltd under option are as follows:

Grant Date	Date of Expiry	Exercise Price	Number Under Option
18/05/2006	1/12/2010	\$0.21	9,000,000
17/04/2007	1/12/2007	\$0.20	41,499,588

On 24 January 2007 the Company issued 36,954,588 listed options and raised \$369,545 via a pro-rata entitlements issue. On 17 April 2007 the Company completed a placement of the shortfall in the pro-rata entitlements by the issue of 4,635,000 to non-related parties which raised \$46,350.

90,000 options were converted to ordinary shares during the year ended 30 June 2007. .

During the year ended 30 June 2007 , no ordinary shares of MEC Resources Ltd were issued on the exercise of options granted under the MEC Resources Ltd Employee Option Plan. No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Directors' Report

MEC Resources Ltd

Proceedings on Behalf of Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Non-audit Services

The board of directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence as set out in the Institute of Chartered Accountants in Australia and CPA Australia's Professional Statement F1: Professional Independence.

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2007.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2007 has been received and can be found on page 17.

Signed in accordance with a resolution of the Board of Directors.



David Breeze

Director

Dated this 28th day of September 2007

Corporate Governance

MEC Resources Ltd

The Board of Directors of MEC Resources Limited ("MEC or "the Company") is responsible for the corporate governance of the economic entity. The Board guides and monitors the business and affairs of the Company on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

CORPORATE GOVERNANCE DISCLOSURES

The Board and management are committed to corporate governance and to the extent that they are applicable to the Company have followed the "Principles of Good Corporate Governance and Best Practice Recommendations" issued by the Australian Securities Exchange ("ASX") Corporate Governance Council.

COMPOSITION OF THE BOARD

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise a majority or at least 50% of the Board will be independent non-executive directors;
- the Board should of at least one director with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders. The Company does not have a formal Nomination Committee.

REMUNERATION AND NOMINATION COMMITTEES

The Company does not have a formal Remuneration or Nomination Committees. The full Board attends to the matters normally attended to by a Remuneration Committee and a Nomination committee. Remuneration levels are set by the Company in accordance with industry standards to attract suitable qualified and experienced Directors and senior executives.

AUDIT COMMITTEE

The Company does not have a formal Audit Committee. The full Board carried out the functions of an Audit Committee. Due to the status of the Company and the relatively straight forward accounts of the Company the Directors believe that at the moment there would be no additional benefits obtained by establishing such a committee. The Board follows the Audit Committee Charter, a copy of which is available on request.

Corporate Governance

MEC Resources Ltd

BOARD RESPONSIBILITIES

As the Board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Chief Executive Officer. The Board ensures that the Chief Executive Officer is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the Company's officers, employees, contractors and consultants.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- Implementation of operating plans and budgets by management and Board monitoring progress against budget;
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the Company's expense.

MONITORING OF THE BOARD'S PERFORMANCE

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is to be reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

BEST PRACTICE RECOMMENDATION

Outlined below are the 10 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council. The Company has complied with the Corporate Governance Best Practice Recommendations except as identified below.

	Action taken and reasons if not adopted
<i>Recognise and publish the respective roles and responsibilities of the board and management</i> <i>Principle 1: Lay solid foundation for management and oversight</i> 1.1 Formalise and disclose the functions reserved to the Board and those delegated to management	Adopted
<i>Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties</i>	Adopted except as follow:-

Corporate Governance

MEC Resources Ltd

	Action taken and reasons if not adopted
<i>Principle 2: Structure the board to add value</i> 2.1 A majority of the Board should be independent 2.2 The chairperson should be an independent director 2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual 2.4 The board should establish a nomination committee 2.5 Provide the information indicated in 'Guide to reporting on Principle 2'	2.4 The Company is not of a size at the moment that justifies having a separate Nomination Committee. However, matters typically dealt with by such a committee are dealt with by the Executive Committee.
Actively promote ethical and responsible decision-making <i>Principle 3: Promote ethical and responsible decision-making</i> 3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices 3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees 3.3 Provide the information indicated in 'Guide to Reporting on Principle 3' Have a structure in place to independently verify and safeguard the integrity of the Company's financial reporting <i>Principle 4: Safeguard integrity in financial reporting</i> 4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. 4.2 The Board should establish an audit committee 4.3 Structure the audit committee so that it consists of: ▪ Only non-executive directors ▪ A majority of independent directors ▪ An independent chairperson who is not the chairperson of the Board ▪ At least three members	Adopted Adopted except as follows:- 4.2 & 4.3 The Company does not have a separate Audit Committee. The full Board carries out the functions of an Audit Committee. Due to the status of the Company and the relatively straight forward accounts of the Company, the Directors at the moment can see no additional

Corporate Governance

MEC Resources Ltd

4.4 The audit committee should have a formal operating charter 4.5 Provide the information indicated in the 'Guide to reporting on Principle 4'	benefits to be obtained by establishing such a committee. The Board follows the Audit Committee Charter, a copy of which is available on request.
Promote timely and balanced disclosure of all material matters concerning the Company <i>Principle 5: Make timely and balanced disclosure</i> 5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance 5.2 Provide the information indicated in the 'Guide to reporting on Principle 5'	Adopted
Respect the rights of shareholders and facilitate the effectiveness of those rights <i>Principle 6: Respect the rights of shareholders</i> 6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings. 6.2 Request the external audit to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report	Adopted
Establish a sound system of risk oversight and management and internal control <i>Principle 7: Recognise and manage risk</i> 7.1 The Board or appropriate Board committee should establish policies on risk oversight and management 7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that: 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal	Adopted

Corporate Governance

MEC Resources Ltd

- compliance and control which implements the policies adopted by the Board
- 7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

7.3 Provide the information indicated in the 'Guide to reporting on Principle 7'

Fairly review and actively encourage enhanced board and management effectiveness

Principle 8: Encourage enhanced performance

- 8.1 Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives

Adopted

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined

Principle 9: Remunerate fairly and responsibly

- 9.1 Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the cost and benefits of these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.
- 9.2 The Board should establish a remuneration committee
- 9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives
- 9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders

Adopted except as follows:-

9.2 The Company is not of a size that justifies having a separate Remuneration Committee. However, matters typically dealt with by such committee are dealt with by the full Board.

Recognise the legal and other obligations of all legitimate stakeholders

Principle 10: Recognise the legitimate interest of stakeholders

- 10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders

Adopted



To The Board of Directors

**Auditor's Independence Declaration
under Section 307C of the Corporations Act 2001**

This declaration is made in connection with our audit of the financial report of MEC Resources Limited and controlled entities for the year ended 30 June 2007 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the audit.

Yours faithfully

RIX LEVY FOWLER
Audit & Corporate Pty Ltd

RANKO MATIC
Director

DATED at PERTH this 28th day of September 2007

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		(83,203)	(14,132)	(82,429)	(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		(37,334)	(11,896)	(37,334)	(11,896)
<i>Loss Before Income Tax</i>		(765,217)	(106,981)	(757,728)	(106,981)
Income tax expense		-	-	-	-
<i>Loss from continuing operations</i>		(765,217)	(106,981)	(757,728)	(106,981)
<i>Loss for the year</i>		(765,217)	(106,981)	(757,728)	(106,981)
<i>Loss attributable to members of the parent entity</i>		(765,217)	(106,981)	(757,728)	(106,981)
<i>Earnings Per Share –</i>					
<i>Basic earnings per share (cents per share)</i>	5	(1.466)	(1.837)		

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2007

MEC Resources Ltd

		Consolidated		Parent	
	Note	2007 \$	2006 \$	2007 \$	2006 \$
Current Assets					
Cash and cash equivalents	6	3,027,592	4,213,588	3,026,798	4,213,588
Trade and other receivables	8	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	9	-	37,158	-	37,158
Capitalised exploration costs	10	686,270	-	26,965	-
Financial assets	11	148,360	-	808,422	-
Property, plant & equipment	12	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	13	137,608	50,352	129,230	50,352
Other financial liabilities	14	-	26,190	-	26,190
Total Current Liabilities		137,608	76,542	129,230	76,542
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	15	4,349,560	4,332,709	4,349,560	4,332,709
Option Reserve		440,997	-	440,997	-
Accumulated losses		(872,198)	(106,981)	(864,709)	(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

	Ordinary Share Capital \$	Consolidated Accumulated losses \$	Options \$	Total \$
Balance at 1 July 2005	-	-	-	-
Shares issued during the financial year	4,332,709	-	-	4,332,709
Options issued during the financial year	-	-	-	-
Loss 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	18,900	-	-	18,900
Options issued during the financial year	-	-	440,997	440,997
Transaction costs	(2,049)	-	-	(2,049)
Loss attributable to members of the consolidated entity	-	(765,217)	-	(765,217)
Balance at 30 June 2007	4,349,560	(872,198)	440,997	3,918,359

Statement of Changes in Equity as at 30 June 2007

MEC Resources Ltd

	Ordinary Share Capital \$	Company Accumulated losses \$	Options \$	Total \$
Balance at 1 July 2005	-	-	-	-
Shares Issued during the financial year	4,332,709	-	-	4,332,709
Options issued during the financial year	-	-	-	-
Loss 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	18,900	-	-	18,900
Options issued during the financial year	-	-	440,997	440,997
Transaction costs	(2,049)	-	-	(2,049)
Loss attributable to members of parent entity	-	(757,728)	-	(757,728)
Balance at 30 June 2007	4,349,560	(864,709)	440,997	3,925,848

The accompanying notes form part of these financial statements.

Cash Flow Statement for the year ended 30 June 2007

MEC Resources Ltd

	Note	Consolidated		Parent	
		2007 \$	2006 \$	2007 \$	2006 \$
Cash Flows From Operating Activities					
Payments to suppliers and employees		(818,261)	(103,698)	(825,013)	(103,698)
Payment for deferred exploration expenditure		(686,270)	-	(26,965)	-
Interest received		105,971	21,735	112,686	21,735
Net cash used in operating activities	16	(1,398,560)	(81,963)	(739,292)	(81,963)
Cash Flows From Investing Activities					
Amounts from other entities		-	(37,158)	-	(37,158)
Payment for investments		(148,360)	-	(808,422)	-
Payment for property, plant and equipment		(1,850)	-	(1,850)	-
Net cash used in investing activities		(150,210)	(37,158)	(810,272)	(37,158)
Cash Flows From Financing Activities					
Proceeds from capital raising		388,964	5,064,826	388,964	5,064,826
Proceeds from borrowings		(26,190)	-	(26,190)	-
Share issue costs		-	(732,117)	-	(732,117)
Net cash provided by financing activities		362,774	4,332,709	362,774	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	-
Cash At The End Of The Financial Year	6	3,027,592	4,213,588	3,026,798	4,213,588

The accompanying notes form part of these financial statements.

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. 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) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of Fixed Asset

Depreciation Rate

Plant and equipment

33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(c) 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.

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.

(d) 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.

(e) 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.

(f) 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.

(g) 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).

(h) 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.

(i) Comparative Figures

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

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.

	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

3. Key Management Personnel Compensation

- (a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Personnel

H Goh – Non-Executive Chairman (appointed 17 November 2006)

D L Breeze - Executive Director

C R Murphy - Executive Director

S K Yap - Non-Executive Director

K O Yap - Non-Executive Director

C T Lim - Non-Executive Director

(b) **Compensation Practices**

The board's policy for determining the nature and amount of compensation of key management for the group is as follows:

The compensation structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the company. The contracts for service between the company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future. Upon retirement key management personnel are paid employee benefit entitlements accrued to date of retirement. Key management personnel are paid six months of salary in the event of redundancy. Options not exercised before or on the date of termination do not lapse.

The employment conditions of the executive directors and other key management personnel are formalised in contracts of employment.

The employment contract stipulates a six month resignation period. The company may terminate an employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

The Board determines the proportion of fixed and variable compensation for each key management personnel.

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

MEC Resources Ltd

3. Key Management Personnel Compensation – (continued)

(c) Key Management Personnel Compensation

2007

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Director fees	Non-cash benefit	Other	Superannuation
H Goh	-	-	-	-	-
S K Yap	-	10,000	-	-	-
D L Breeze	65,000	16,666	-	-	-
C R Murphy	65,000	25,000	-	-	-
K O Yap	-	-	-	-	-
C T Lim	-	-	-	-	-

2007 (cont'd)

Key Management Person	Long-term Benefits	Share-based payment		Total	% of total remuneration paid in Options
	Other	Equity	Options	\$	%
H Goh	-	-	-	-	-
S K Yap	-	-	16,667	26,667	62.50
D L Breeze	-	-	-	81,666	-
C R Murphy	-	-	-	90,000	-
K O Yap	-	-	-	-	-
C T Lim	-	-	16,667	16,667	100.00

2006

Key Management Person	Short-term Benefits			Post-employment Benefits	
	Cash, Salary and Fees	Cash profit share	Non-cash benefit	Other	Superannuation
S K Yap	-	-	-	-	-
D L Breeze	10,833	-	-	-	-
C R Murphy	10,833	-	-	-	-
K O Yap	-	-	-	-	-
C T Lim	-	-	-	-	-

3. Key Management Personnel Compensation – (continued)

(c) Key Management Personnel Compensation – (continued)

2006 (cont'd)

Key Management Person	Long-term Benefits	Share-based payment			Total	% of total remuneration paid in Options
		Other	Equity	Options		
					\$	%
S K Yap	-	-	-	-	-	-
D L Breeze	-	-	-	-	10,833	-
C R Murphy	-	-	-	-	10,833	-
K O Yap	-	-	-	-	-	-
C T Lim	-	-	-	-	-	-

The company has agreements with Hebex Pty Ltd and Trandcorp Pty Ltd on normal commercial terms procuring the services of Charles Murphy and David Breeze respectively. Each of these agreements is at the rate of \$65,000 per annum, commencing from the time of receiving listing approval. Board payments may be made up to a level of \$250,000 per annum. Payments are to be made at up to \$25,000 per annum per director commencing in 2007.

(d) Options and Rights Holdings

Number of Unlisted Options Held by Key Management Personnel

	Balance 1.7.2006	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2007	Total Vested 30.6.2007	Total Exercisable 30.6.2007
H Goh	-	-	-	-	-	-	-
S Yap	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
D Breeze	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
C Murphy	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
K Yap	-	-	-	-	-	-	-
C Lim	-	-	-	-	-	-	-

The Net Change Other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

3. Key Management Personnel Compensation – (continued)

(d) Options and Rights Holdings

Number of Listed Options Held by Key Management Personnel

	Balance 1.7.2006	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2007
H Goh	-	-	-	-	-
S Yap	-	1,666,667	-	715,583	2,382,250
D Breeze	-	-	-	5,006,252	5,006,252
C Murphy	-	-	-	1,000,000	1,000,000
K Yap	-	-	-	2,000,000	2,000,000
C Lim	-	1,666,667	-	-	1,666,667

(e) Shareholdings

Number of Shares Held by Key Management Personnel

	Balance 1.7.2006	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2007
H Goh	-	-	-	-	-
S K Yap	2,382,250	-	-	-	2,382,250
D L Breeze	5,022,151	-	-	-	5,022,151
C R Murphy	3,850,000,	-	-	-	3,850,000
K O Yap	2,000,000	-	-	-	2,000,000
C T Lim	2,000,000	-	-	-	2,000,000

Net Change Other refers to shares purchased or sold during the financial year.

4. Auditors' Remuneration

Audit fees for the financial year to 30 June 2007 were \$17,775 (2006: \$8,450).

Fees for other services provided were \$nil (2006: \$10,013).

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

MEC Resources Ltd

5. Earnings per share

	Consolidated	
	2007	2006
	\$	\$
(a) Reconciliation of Earnings to Profit or Loss		
Loss	(765,217)	(106,981)
Earnings used to calculate basic EPS	(765,217)	(106,981)
Earnings used in the calculation of dilutive EPS	(765,217)	(106,981)
(b) Reconciliation of Earnings to Profit or Loss from continuing operations		
Loss from continuing operations	(765,217)	(106,981)
Earnings used to calculate basic EPS from continuing operations	(765,217)	(106,981)
Earnings used in the calculation of dilutive EPS from continuing operations	(765,217)	(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

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$

6. Cash and cash equivalents

Cash at bank and in hand	3,027,592	4,213,588	3,026,798	4,213,588
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The average effective interest rate on short-term bank deposits was 5.75%: (2006: 3.45%)

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the balance sheet as follows:

Cash and cash equivalents	3,027,592	4,213,588	3,026,798	4,213,588
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	Consolidated		Parent	
	2007 \$	2006 \$	2007 \$	2006 \$
7. Income Tax Expense				
The components of tax expense comprise:				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
	-	-	-	-
a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2006: 30%)				
Company	(229,565)	(32,094)	(227,318)	(32,094)
Add tax effect of:				
Other non allowable items	-	-	-	-
Tax benefit of revenue losses not recognised	281,736	76,021	279,489	76,021
Less tax effect of:				
Exploration and evaluation costs	(8,090)	-	(8,090)	-
Tax benefit of equity raising costs not recognised	(44,081)	(43,927)	(44,081)	(43,927)
Income tax attributable to parent entity	-	-	-	-
The following deferred tax balances at 30% (2006: 30%) have not been recognised				
Deferred Tax Assets:				
Carry forward revenue losses	326,977	45,275	324,761	45,272
Capital raising costs	132,150	175,708	132,150	175,708
(b) The tax benefits of the above Deferred Tax Assets will only be obtained if:				
(a) the company derives future assessable income in a nature and of an amount sufficient to enable the benefits to be utilised;				

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

MEC Resources Ltd

- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the company in utilising the benefits.

Deferred Tax Liabilities

Exploration Expenditure

8,090	-	8,090	-

The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

Consolidated		Parent	
2007	2006	2007	2006
\$	\$	\$	\$

8. Trade and other receivables

CURRENT

Trade receivables	26,264	10,539	26,264	10,539
Other receivables	165,741	40,985	164,889	40,985
	192,005	51,524	191,153	51,524

9. Other Assets

Unsecured Loans to other entities:

Grandbridge Ltd	-	37,158	-	37,158
	-	37,158	-	37,158

10. Capitalised Exploration Costs

Capitalised costs	686,270	-	26,965	-
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Notes to the Consolidated Financial Statements for the year ended 30 June 2007

MEC Resources Ltd

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
11. Financial Assets				
Investment in Advent Energy Ltd	148,360	-	148,360	-
Investment in Asset Energy Ltd	-	-	660,062	-
	148,360	-	808,422	-

Asset Energy Ltd

The Company acquired 100% of the voting equity in Asset Energy Ltd on 26 November 2006 for \$655,000.

12. Property, Plant and Equipment

Plant and Equipment:

At cost	1,850	-	1,850	-
Accumulated depreciation	(110)	-	(110)	-
Total Property, Plant and Equipment	1,740	-	1,740	-

(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Plant and Equipment	Total
	\$	\$
Economic Entity:		
Balance at the beginning of the year	-	-
Additions	1,850	1,850
Disposals	-	-
Depreciation expense	(110)	(110)
Carrying amount at the end of the year	1,740	1,740

Parent Entity:

Balance at the beginning of the year	-	-
Additions	1,850	1,850
Disposals	-	-

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

MEC Resources Ltd

Depreciation expense	(110)	(110)
Carrying amount at the end of the year	1,740	1,740

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
13. Trade and other payables				
Trade payables	60,515	32,633	52,138	32,633
Sundry payables and accrued expenses	77,093	17,719	77,092	17,719
	137,608	50,352	129,230	50,352

14. Other financial liabilities

Shareholder application funds held in trust - Shares not yet issued	-	26,190	-	26,190
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15. Issued Capital

52,260,942 (2006: 52,170,942) fully paid ordinary shares	5,083,727	5,064,826	5,083,727	5,064,826
Less: Capital raising costs	(734,167)	(732,117)	(734,167)	(732,117)
Issued Capital	4,349,560	4,332,709	4,349,560	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	-	52,170,942	-	52,170,942
Shares issued during the year on conversion of options	90,000	-	90,000	-
At reporting date	52,260,942	52,170,942	52,260,942	52,170,942

Fully Paid Ordinary Share Capital

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

(a) Options

On 24 January 2007 the Company issued 36,954,588 listed options and raised \$369,545 via a pro-rata entitlements issue. On 17 April 2007 the Company completed a placement of the shortfall in the pro-rata entitlements by the issue of 4,635,000 to non-related parties which raised \$46,350. Costs incurred on the pro-rata entitlements issue were \$2,048.

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.

	Consolidated		Parent	
	2007	2006	2007	2006
	\$	\$	\$	\$
16. Cash Flow Information				
Reconciliation of Cash Flow from Operations with Profit after income tax				
Operating loss after income tax	(765,217)	(106,981)	(757,728)	(106,981)
Non-cash flows in profit:				
Depreciation	110	-	110	-
Share based payments	68,884	-	68,884	-
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	(140,481)	(51,524)	(139,629)	(51,524)
(Increase)/decrease in other assets	(649,112)	-	10,193	-
Increase/(decrease) in trade payables and accruals	87,256	76,542	78,878	76,542
Net cash flow from operating activities	(1,398,560)	(81,963)	(739,292)	(81,963)

17. Financial Instruments

a) Financial Risk Management

The group's financial instruments consist mainly of deposits with banks, short-term investments, accounts receivable and payable, and loans to and from subsidiaries. The main purpose of non-derivative financial instruments is to raise finance for group operations.

i. Financial Risks

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit risk.

Interest rate risk

Interest rate risk is managed with a mixture of fixed and floating rate debt.

Liquidity risk

The group manages liquidity risk by monitoring forecast cash flows.

Credit risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

The economic entity does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the economic entity.

b) Financial Instruments

i. Interest rate risk

The economic entity's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2007	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
Financial Assets				
Cash and cash equivalents	5.75	3,027,592	-	3,027,592
Trade and other receivables	-	-	192,005	192,005
Other Financial Assets	-	-	148,360	148,360
		3,027,592	340,365	3,367,957
Financial Liabilities				
Trade and sundry Payables	-	-	137,608	137,608

17. Financial Instruments – (continued)

2006	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
Financial Assets				
Cash and cash equivalents	5.45	4,213,588	-	4,213,588
Trade and other receivables	-	-	51,524	51,524
Other Financial Assets	-	-	37,158	37,158
		4,213,588	88,682	4,302,270
Financial Liabilities				
Trade and sundry Payables	-	-	50,352	50,352

ii. Net Fair Values

The net fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- Other assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity.

18. Segment Information

MEC Resources Ltd operates predominantly in one industry, namely investments in the mining and resources. These activities are predominantly in Australia.

19. Events after the Balance Sheet Date

The Company raised \$1,503,000 from a Shareholder Share Purchase Plan (SSPP). It also invested \$1,250,000 in Central Petroleum at 20 cents per share through an underwriting. Investee Advent Energy Ltd has entered into 2 farmin arrangements with Central Petroleum Ltd and Vic Petroleum Ltd.

Other than referred to, there have not been any further matters or circumstances that have arisen since the end of the period, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

20. Related Party Transactions

(a) Directors' Remuneration

Details of directors' remuneration and retirement benefits are disclosed in note 3 to the financial statements.

(b) Directors' Equity Holdings

	Parent	
	2007 \$	2006 \$
<i>Ordinary Shares</i>		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	15,254,401	15,254,401
<i>Other Equity Instruments</i>		
Listed Options		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	12,055,169	-
Unlisted Options		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	9,000,000	9,000,000

(c) Related entities

An annual service fee of \$216,000 was paid to Grandbridge Ltd.
Exploration related costs of \$5,062 were paid on behalf of Asset Energy Ltd.

Directors Declaration

MEC Resources Ltd

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 18 to 41, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2007 and of the performance for the year ended on that date of the company and economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



.....
David Breeze
Executive Director

Dated this 28th day of September 2007



Independent Audit Report

To the Members of MEC Resources Limited

We have audited the accompanying financial report of MEC Resources Limited (the company) and MEC Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 control 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 control. 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 and the remuneration disclosures in the directors' 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 followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Independent Auditor's Report

To the Members of MEC Resources Limited (Continued)

Auditor's Opinion

In our opinion:

- a. The financial report of MEC Resources Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.



RIX LEVY FOWLER
Audit & Corporate Pty Ltd



Ranko MATIC
Director

DATED at PERTH this 28th day of September 2007

Additional Securities Exchange Information

MEC Resources Ltd

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this report as follows.

The information is made up to 18th September 2007.

1. Substantial Shareholder

The name of the substantial shareholder listed in the company's register is:

Shareholder	Shares	%
Grandbridge Ltd	10,628,083	20.34

Note: 5,754,401 of these shares shown as held by Grandbridge, represent the in-specie distribution to Grandbridge Ltd shareholders. These shares are held in trust for two years from listing date of MEC Resources Ltd.

2. Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	288	179,277	0.34
1,001 – 5,000	121	365,609	0.70
5,001 – 10,000	648	6,366,115	12.18
10,001 – 100,000	721	20,229,503	38.71
100,001 and over	32	25,120,438	48.07
	1,810	52,260,942	100.00

3. (a) Distribution of Listed Optionholders

Range of Holding	Optionholders	Number Ordinary Shares	%
1 – 1,000	52	30,720	0.07
1,001 – 5,000	33	114,012	0.27
5,001 – 10,000	366	3,611,445	8.70
10,001 – 100,000	423	12,435,371	29.97
100,001 and over	30	25,308,040	60.98
	904	41,499,588	100.00

3. (b) Distribution of Unlisted Optionholders

Range of Holding	Optionholders	Number of Options	%
100,001 and over	3	9,000,000	100

Additional Securities Exchange Information

MEC Resources Ltd

4. Voting Rights - Shares

All ordinary shares issued by MEC Resources Ltd carry one vote per share without restriction.

5. Voting Rights - Options

The holders of employee options do not have the right to vote.

6. Restricted Securities

Shares - Number of Shares free of escrow 52,260,942

Total Shares **52,260,942**

Options

Number of Employee options not subject to Escrow (exercisable at \$1.00) (Not Listed) -

Total Options **-**

7. Twenty Largest Shareholders

The names of the twenty largest shareholders of the ordinary shares of the company are:

Name	Number of ordinary fully paid shares	% held of issued ordinary capital
Grandbridge Ltd	10,628,083	15.79
Hebex Pty Ltd	3,550,000	5.28
C T Lim	2,020,000	3.00
S K Yap	2,000,000	2.97
K O Yap	2,000,000	2.97
Mac Tech Aust. Pty Ltd	350,000	0.52
Barley Holdings Pty Ltd	317,938	0.47
M McColl	316,500	0.47
H Lantzke	300,000	0.45
Kochu & Mol Pty Ltd	265,000	0.39
Lewis Securities Ltd	242,417	0.36
Birch Lawrence M & J F	212,750	0.32
Kinetas Pty Ltd	212,000	0.32
Lyon G R	212,000	0.32
I G Esplin	200,000	0.30
N W and K E Oliver	200,000	0.30
A H Shields	200,000	0.30
Ly Kim	200,000	0.30
B L and P Lee	182,250	0.27
Parratronics Pty Ltd	180,000	0.27
	23,788,938	35.37

Additional Securities Exchange Information

MEC Resources Ltd

8. Twenty Largest 31 December 2007 Listed Option Holders (as at 18 September 2007)

The names of the twenty largest listed Option Holders of the company are:

Name	Number of listed options	% held of issued ordinary capital
Trandcorp Pty Ltd	4,917,251	11.85
Grandbridge Ltd	4,873,688	11.74
S K Yap	2,382,250	5.74
K O Yap	2,000,000	4.82
C T Lim	1,666,600	4.02
D G Ming	1,600,000	3.86
Hebex Pty Ltd	1,000,000	2.41
T Fontaine	1,000,000	2.41
Heng Yu	1,000,000	2.41
Yuqiang Zou	1,000,000	2.41
A B Websdale	805,000	1.94
M Glinski	500,000	1.20
Mac Tech Aust. Pty Ltd	350,000	0.84
Kinetas Pty Ltd	212,000	0.51
I G Esplin	200,000	0.48
J B Loughrey	200,000	0.48
B L and P Lee	182,250	0.44
D H M Ong	175,000	0.42
G R Lyon	162,000	0.39
R Saliba	155,000	0.37
	24,381,039	58.74