

MEC RESOURCES LTD

ABN 44 113 900 020

Appendix 4E Preliminary Final Report For the year ended 30 June 2008

Appendix 4E - Preliminary Final Report
MEC Resources Ltd
For the Year Ended 30 June 2008

Results for announcement to the market

\$A'000

Revenues and other income from ordinary activities	Up	126.14 %	to	240
Loss from ordinary activities after tax attributable to members	Down	43.29 %	to	(434)
Net loss for the financial year attributable to members	Down	43.29%	to	(434)
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 / revenue		
Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue	(181.07)%	(686.87)%
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	(8.06)%	(15.31)%

	Current period	Previous corresponding period
NTA Backing		
Net tangible asset backing per ordinary security	10.0 cps	5.9 cps

Income Statement for the year ended 30 June 2008

MEC Resources Ltd

		Consolidated		Parent	
	Note	2008 \$	2007 \$	2008 \$	2007 \$
Revenue	2	239,646	105,971	239,646	112,686
Other Income	2	828,048	-	805,736	-
Administration expenses		(190,122)	(83,203)	(190,122)	(82,429)
Consulting and Legal expenses		(314,178)	(308,427)	(314,178)	(308,427)
Depreciation and amortisation expense		(2,376)	(110)	(2,376)	(110)
Employee expenses		(527,081)	(140,625)	(527,081)	(140,625)
Insurance expenses		(19,466)	-	(19,466)	-
Data Centre administration		(53,055)	-	(53,055)	-
Service Fees		(216,000)	(216,000)	(216,000)	(216,000)
Traveling expenses		(54,830)	(54,750)	(54,830)	(54,750)
Other expenses from ordinary activities		(124,525)	(68,073)	(124,525)	(68,073)
<i>Operating Loss Before Income Tax</i>		(433,939)	(765,217)	(456,251)	(757,728)
Income tax expense		-	-	-	-
Operating Loss from continuing operations		(433,939)	(765,217)	(456,251)	(757,728)
<i>Operating Loss for the year</i>		(433,939)	(765,217)	(456,251)	(757,728)
<i>Operating Loss attributable to minority equity interest</i>		-	-	-	-
Operating Loss attributable to members of the parent entity		(433,939)	(765,217)	(456,251)	(757,728)
 <i>Earnings Per Share –</i>					
<i>Basic earnings per share (cents per share)</i>	3	(0.668)	(1.466)		

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2008

MEC Resources Ltd

		Consolidated		Parent	
	Note	2008 \$	2007 \$	2008 \$	2007 \$
Current Assets					
Cash and cash equivalents		1,966,361	3,027,592	1,500,338	3,026,798
Trade and other receivables		43,651	192,005	39,388	191,153
Total Current Assets		2,010,012	3,219,597	1,539,726	3,217,951
Non-Current Assets					
Other non-current assets		22,673	-	-	-
Capitalised exploration costs		2,671,564	686,270	62,365	26,965
Financial assets		2,426,609	148,360	4,029,809	808,422
Property, plant & equipment		6,095	1,740	6,095	1,740
Total Non-Current Assets		5,126,941	836,370	4,098,269	837,127
Total Assets		7,136,953	4,055,967	5,637,995	4,055,078
Current Liabilities					
Trade and other payables		290,052	137,608	202,856	129,230
Provisions		95,727	-	13,884	-
Total Current Liabilities		385,779	137,608	216,740	129,230
Non Current Liabilities					
Financial liabilities		543,064	-	41,047	-
Total Non Current Liabilities		543,064	-	41,047	-
Total Liabilities		928,843	137,608	257,787	129,230
Net Assets		6,208,110	3,918,359	5,380,208	3,925,848
Equity					
Issued capital	4	6,671,278	4,349,560	6,671,278	4,349,560
Option Reserve		29,890	440,997	29,890	440,997
Accumulated losses		(1,320,960)	(872,198)	(1,320,960)	(864,709)
Total Parent Entity Equity Interest		5,380,208	3,918,359	5,380,208	3,925,848
Minority Equity Interest		827,902	-	-	-
Total Equity		6,208,110	3,918,359	5,380,208	3,925,848

The accompanying notes form part of the financial statements.

Statement of Changes in Equity as at 30 June 2008

MEC Resources Ltd

	Consolidated				
	Ordinary Share Capital \$	Accumulated losses \$	Options \$	Minority Interest \$	Total \$
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
Balance at 1 July 2007	4,349,560	(872,198)	440,997	-	3,918,359
Shares issued during the financial year	1,772,346	-	-	-	1,772,346
Options exercised during the financial year	140,028	-	(6,668)	-	133,360
Options expired during the financial year	408,328	-	(408,328)	-	-
Options issued during the financial year	-	-	3,889	-	3,889
Transaction costs	1,016	-	-	-	1,016
Loss attributable to members of the consolidated entity	-	(433,939)	-	-	(433,939)
Sale of Subsidiary	-	(14,823)	-	-	(14,823)
Minority Equity Interest	-	-	-	827,902	827,902
Balance at 30 June 2008	6,671,278	(1,320,960)	29,890	827,902	6,208,110

Statement of Changes in Equity as at 30 June 2008

MEC Resources Ltd

	Company			
	Ordinary Share Capital \$	Accumulated losses \$	Options \$	Total \$
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
Balance at 1 July 2007	4,349,560	(864,709)	440,997	3,925,848
Shares issued during the financial year	1,772,346	-	-	1,772,346
Options exercised during the financial year	140,028	-	(6,668)	133,360
Options expired during the financial year	408,328	-	(408,328)	-
Options issued during the financial year	-	-	3889	3,889
Transaction costs	1,016	-	-	1,016
Loss attributable to members of parent entity	-	(456,251)	-	(456,251)
Balance at 30 June 2008	6,671,278	(1,320,960)	29,890	5,380,208

The accompanying notes form part of these financial statements.

Statement of Cash Flows as at 30 June 2008

MEC Resources Ltd

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
Cash Flows From Operating Activities					
Receipts from customers		70,000	-	70,000	-
Payments to suppliers and employees		(1,050,237)	(818,261)	(1,001,200)	(825,013)
Payment for deferred exploration expenditure		(49,321)	(686,270)	(35,400)	(26,965)
Interest received		169,646	105,971	169,646	112,686
Net cash used in operating activities		(859,912)	(1,398,560)	(796,954)	(739,292)
Cash Flows From Investing Activities					
Amounts repaid by/ (loaned to) other entities		57,599	-	(5,182)	-
Payment for investments		(2,369,316)	(148,360)	(2,369,316)	(808,422)
Payment for property, plant and equipment		(6,731)	(1,850)	(6,731)	(1,850)
Net cash inflow on acquisition of subsidiary		465,408	-	-	-
Net cash used in investing activities		(1,853,040)	(150,210)	(2,381,229)	(810,272)
Cash Flows From Financing Activities					
Proceeds from capital raising		1,651,721	388,964	1,651,721	388,964
Proceeds from/(repayment of) borrowings		-	(26,190)	-	(26,190)
Share issue costs		-	-	-	-
Net cash provided by financing activities		1,651,721	362,774	1,651,721	362,774
<i>Net increase (decrease) in Cash Held</i>		(1,061,231)	(1,185,996)	(1,526,462)	(1,186,790)
<i>Cash At the Beginning Of The Financial Year</i>		3,027,592	4,213,588	3,026,800	4,213,588
<i>Cash At The End Of The Financial Year</i>		1,966,361	3,027,592	1,500,338	3,026,798

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

1. Statement of Significant Accounting Policies

The financial report includes the consolidated financial statements and the notes of MEC Resources Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of MEC Resources Limited as an individual parent entity ('Parent Entity').

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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.

Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued and liabilities assumed in exchange for control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate.

Notes to the Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(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.

(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

Notes to the Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

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 and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the entity becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit or loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit or loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in profit or loss in the period in which they arise.

(ii) 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 subsequently measured at amortised cost using the effective interest rate method.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

(v) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

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 assesses 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.

Key Judgments — Impairment of capitalised and carried forward exploration expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(c).

Key Judgments — Impairment of financial assets

No impairment has been recognised in respect of the Company's carrying value of its investments in its subsidiaries Advent Energy Limited and Asset Energy Proprietary Limited. After a review of the carrying values, the directors believe that the full amount of these investments is recoverable through the projected activities of each entity and no provision for impairment has been made as at 30 June 2008.

The financial report was authorised for issue on 27th August 2008 by the board of directors.

Notes to the Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
2. Revenue				
Revenue				
Interest revenue : other entities	169,646	105,971	169,646	112,686
Sub underwriting income	70,000	-	70,000	-
Total revenue	239,646	105,971	239,646	112,686
Other Income				
Unrealised gain on investments	336,986	-	336,986	-
Gain on Sale of Investments	468,750	-	468,750	-
Other gains	22,312	-	-	-
	828,048	-	805,736	-

3. Earnings per share

	Consolidated	
	2008 \$	2007 \$
(a) Reconciliation of Earnings to Profit or Loss		
Loss	(433,939)	(765,217)
Earnings used to calculate basic EPS	(433,939)	(765,217)
(b) Reconciliation of Earnings to Profit or Loss from continuing operations		
Loss from continuing operations	(433,939)	(765,217)
Earnings used to calculate basic EPS from continuing operations	(433,939)	(765,217)
(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	64,939,561	52,183,846

Notes to the Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
4. Issued Capital				
71,072,838 (2007: 52,260,942) fully paid ordinary shares	7,404,427	5,083,727	7,404,427	5,083,727
Less: Capital raising costs	(733,149)	(734,167)	(733,149)	(734,167)
Issued Capital	6,671,278	4,349,560	6,671,278	4,349,560

The Company does not have an authorized capital and issued shares have no par value.

Ordinary Shares

	No	No	No	No
At the beginning of reporting period	52,260,942	52,170,942	52,260,942	52,170,942
Shares issued during the year	18,145,096	-	18,145,096	-
Shares issued during the year on conversion of options	666,800	90,000	666,800	90,000
At reporting date	71,072,838	52,260,942	71,072,838	52,260,942

Fully Paid Ordinary Share Capital

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

(a) Options

The market price of the company's ordinary shares at 30 June 2008 was 11.5 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.

5. Events After Balance Date

MEC Resources Limited announced a Non Renounceable Rights Issue to Shareholders on 27 June 2008. This issue gave Shareholders the right to apply for one fully paid share for every share held at the record date for a subscription price of 5 cents. In addition to this Shareholders received three free attaching options for every two shares issued pursuant to the Rights Issue.

The Issue closed on the 30th July 2008. A total of 34,825,125 fully paid shares and 52,237,637 free attaching options were allotted to Shareholders on the 7th August 2008. The total proceeds raised were \$1,741,256.

A review of the market value of MEC group's investments in other listed entities has been performed at the reporting date. An unrealised loss of \$1,393,261 on the carrying value of these investments has been noted. The movement in these assets is wholly attributable to the recent fluctuations of the share market.

6. Segment Information

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