



## Appendix 4E - Preliminary Final Report

Name of Entity	MEC Resources Ltd
ABN	44 113 900 020
Financial Year Ended	Year ended 30 June 2012
Previous Corresponding Reporting Period	Year ended 30 June 2011

### *Results for announcement to the market*

\$A'000

Revenues and other income from ordinary activities	Up	44%	to	376
Loss from ordinary activities after tax attributable to members	Up	126%	to	(9,178)
Net loss for the financial year attributable to members	Up	126%	to	(9,178)
<b>Dividends (distributions)</b>		<b>Amount per security</b>		<b>Franked amount per security</b>
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
<b>Ratios</b>		
<b>Profit before tax / revenue</b>		
Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue	(2438.69)%	(604.87)%
<b>Profit after tax / equity interests</b>		
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	(24.99)%	(8.79)%

	Current period	Previous corresponding period
<b>NTA Backing</b>		
Net tangible asset backing per ordinary security	3.31cps	10.73 cps



	Current period	Previous corresponding period
<b>Statement of Retained Earnings</b>		
Balance at beginning of the year	(10,476,815)	(7,582,991)
Net loss attributable to members of the parent entity	(9,178,725)	(4,055,799)
Issue of shares by subsidiary	-	1,161,975
Total available for appropriation	(19,655,540)	(10,476,815)
Dividends paid	-	-
Balance at year end	(19,655,540)	(10,476,815)



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## Commentary on Results

The operating loss for the consolidated entity after tax for the year ended 30 June 2012 was \$9,178,725 (2011: Loss \$4,055,799).

The net assets of the consolidated entity have decreased by \$9,410,076 to \$36,723,543 at 30 June 2012. The decrease can be attributed to the loss incurred in the sale of shares held in BPH Energy Limited ("BPH") during the period, from the selective buy back conducted by BPH.

Developments during the year included:

- During the period MEC Resources Limited ("MEC") entered into a selective buyback agreement with BPH. BPH agreed to buy back up to \$1.35 million of MEC shareholding in the Company. The number of buy-back Shares was determined by dividing the total Consideration by the 5-day volume weighted average closing price of Shares prior to the date of the buy-back.
- MEC's investee Advent Energy Ltd ("Advent") achieved an independently assessed (RISC) mean Contingent Resource for the Weaber Gas Field (RL1) of 18.4 Bcf following reprocessing of seismic data and review of all available well data from Weaber. The field has been assessed as comprising a 3C upside potential Contingent Resource of 45.8 Bcf.
- MEC's investee Advent re-entered Vienta-1 located within EP 386 for the purpose of recompletion and production testing. Production testing on the lower zone of Vienta-1 was performed and the well observed strong pressure recovery. Preliminary interpretations are that this well was heavily damaged during the drilling of the well, and that the geological formation from which gas is flowing is relatively 'tight' (low inherent permeability).
- MEC's investee Advent re-entered Waggon Creek-1 located within EP386, and 10km from Vienta-1, for the purpose of recompletion and production testing. The well was flowed for 6 hours before operations were suspended for the northern wet season. Stable flow rates in excess of 1MMscf/d were achieved through a ½ inch choke.
- MEC's investee Advent is investigating a considerable potential shale gas resource within EP386 and RL1. Studies indicate significant potential upside in prospective shale gas resources with estimated unrisksed OGIP in the range from 19 Tcf to 141 Tcf.

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## Compliance Statement

1. This report has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to the ASX.
2. This report, and the accounts upon which the report is based (if separate), use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts to which one of the following applies.

The accounts have been audited

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

The accounts have been subject to review.

The accounts have not yet been audited.



Sign here: .....

Date: 30<sup>th</sup> August 2012

Print name: Deborah Ambrosini

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MEC RESOURCES LTD

ACN 113 900 020

Annual Financial Report 2012

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MEC Resources Ltd and its controlled subsidiaries

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## Directors

H Goh – Non-Executive Chairman  
D L Breeze – Executive Director  
K O Yap – Non-Executive Director  
C T Lim – Non-Executive Director (resigned 2 April 2012)  
D Ambrosini – Executive Director

## Registered Office

14 View Street  
NORTH PERTH WA 6006

## Principal Business Address

14 View Street  
NORTH PERTH WA 6006  
Telephone: (08) 9328 8477  
Facsimile: (08) 9328 8733  
Website: [www.mecresources.com.au](http://www.mecresources.com.au)  
E-mail: [admin@mecresources.com.au](mailto:admin@mecresources.com.au)

## Auditor

Deloitte Touche Tohmatsu  
Level 14  
Woodside Plaza  
240 St Georges Terrace  
Perth WA 6000

## 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 and its controlled subsidiaries

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The directors of MEC Resources Ltd ("MEC" or the "Company") present their report on the company for the financial year ended 30 June 2012.

## Directors

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

H Goh  
D L Breeze  
K O Yap  
C T Lim (resigned 2 April 2012)  
D Ambrosini

## Company Secretary

Ms Deborah Ambrosini continues in her role of Company Secretary. She also holds the position of Financial Controller of the Company and has over 11 years experience in Corporate accounting roles.

## Principal Activities

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 IPO within several years; strong and experienced management team and a definitive competitive advantage.

MEC's current major investment lies in unlisted Australian oil and gas exploration company, Advent Energy Ltd.

### Advent Energy Ltd -Oil and Gas

MEC has a controlling interest in the unlisted energy explorer Advent Energy Ltd ("Advent") of 44.89%.

Advent has assembled a range of hydrocarbon permits which contain near term production opportunities with pre-existing infrastructure and exploration upside.

Advent's assets include EP386 and RL1 (100%) in the onshore Bonaparte Basin in the north of Western Australia and Northern Territory, PEP11 (85%) in the offshore Sydney Basin and EP325 (8.3%) in the Exmouth Sub-basin of the Carnarvon Basin near Exmouth in WA. Advent's portfolio of assets has an estimated AUD \$156m invested historically on exploration.

Advent is investigating a considerable potential shale gas resource within EP386 and RL1. Studies indicate significant potential upside in prospective shale gas resources with estimated unrisksed OGIP in the range from 19 Tcf to 141 Tcf.

A mean contingent Resource of 18.4 Bcf for the Weaber Gas Field (RL1) has recently been assessed by an independent third party as a component of Advent's drive to commercialise its 100% owned onshore Bonaparte Basin assets. The current rapid development of the Kununurra region in northern Western Australia, including the Ord Irrigation Expansion Project and numerous resource projects,

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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provides an exceptional opportunity for Advent to potentially develop its nearby gas resources for the benefit of the region along with Advent and its shareholders.

The Sydney Basin is a proven petroleum basin with excellent potential for the discovery of gas and oil. The demonstration of an active hydrocarbon system with seeps reported in the offshore area and sampling indicated the presence of thermogenic hydrocarbon gas is considered to occur in basins actively generating hydrocarbons and /or that contain excellent migration pathways. Drilling during the period has shown that the early Permian geological sequence is mature for hydrocarbons.

Undiscovered prospective recoverable gas resources for structural targets within the PEP11 offshore permit have been estimated at 6 trillion cubic feet (at the P50 level) or up to 23.5 Tcf on a probabilistic mean calculation. PEP11 lies adjacent to the most populous region of Australia and the major industrial hub of Newcastle where LNG production facilities are being developed (independently of Advent).

Advent is considering a future listing on a securities exchange.

## Operating Results

Operating loss for the consolidated entity after tax for the year was \$9,178,725 (2011: Loss \$4,055,799).

## 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 \$9,410,076 to \$36,723,543 at 30 June 2012. The decrease can be attributed to the loss incurred in the sale of shares held in BPH Energy Limited ("BPH") during the period, from the selective buy back conducted by BPH.

## Significant Changes In State Of Affairs

- During the period MEC entered into a selective buyback agreement with BPH. BPH agreed to buy back up to \$1.35 million of MEC's shareholding in the Company. The number of buy-back Shares was determined by dividing the total Consideration by the 5-day volume weighted average closing price of Shares prior to the date of the buy-back.
- MEC's investee Advent achieved an independently assessed (RISC) mean Contingent Resource for the Weaber Gas Field (RL1) of 18.4 Bcf following reprocessing of seismic data and review of all available well data from Weaber. The field has been assessed as comprising a 3C upside potential Contingent Resource of 45.8 Bcf.
- MEC's investee Advent re-entered Vienta-1 located within EP 386 for the purpose of recompletion and production testing. Production testing on the lower zone of Vienta-1 was performed and the well observed strong pressure recovery. Preliminary interpretations are that this well was heavily damaged during the drilling of the well, and that the geological formation from which gas is flowing is relatively 'tight' (low inherent permeability).
- MEC's investee Advent re-entered Waggon Creek-1 located within EP386, and 10km from Vienta-1, for the purpose of recompletion and production testing. The well was flowed for 6

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MEC Resources Ltd and its controlled subsidiaries

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hours before operations were suspended for the northern wet season. Stable flow rates in excess of 1MMscf/d were achieved through a ½ inch choke.

- MEC's investee Advent is investigating a considerable potential shale gas resource within EP386 and RL1. Studies indicate significant potential upside in prospective shale gas resources with estimated unrisks OGIP in the range from 19 Tcf to 141 Tcf.

## After Balance Date Events

On 13 August 2012 Asset Energy Pty Ltd ("Asset"), a 100% owned subsidiary of Advent Energy Ltd, received notification from the National Offshore Petroleum Titles Authority that the PEP 11 permit had been renewed for a further 5 year period.

## 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.

## Information on Directors

### H Goh

*Non-Executive Chairman – Age 57*

Shares held in MEC – 5,085,598

Shares held in Advent – 3,000,000

Listed Options held – 4,725,144

Unlisted Options held MEC – nil

Mr Hock 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.

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.

Hock 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.

Hock is a Non Executive director of ASX listed company BPH Energy Limited.

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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## **D L Breeze**

*Executive Director and Managing Director – Age 58*

Shares held MEC – 13,183,654

Listed Options – 7,608,228

Unlisted Options held in MEC – nil

Unlisted Options held in Advent – 4,000,000

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 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 is Chairman of Grandbridge Limited, a publicly listed investment and advisory company and BPH Energy Limited an ASX listed alternative investment business.

He holds a Bachelor of Economics and a Masters of Business Administration (MBA) and is a Fellow of the Securities Institute of Australia and a Fellow of the Institute of Company Directors of Australia.

## **K O Yap**

*Non-Executive Director – Age 50*

Shares held MEC – 4,039,350

Listed options – 3,000,000

Unlisted Options held in MEC – nil

K.O Yap has over 16 years experience in investment banking. Prior to establishing Eton Advisory Services Ltd, K.O 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.).

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

K.O 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 57*

Shares held – 3,434,350

Listed options – 2,062,500

Unlisted Options held in MEC – nil

## Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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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.

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 Metal Component Engineering Ltd, Valuetronics Holdings Ltd, Fastube Ltd and FibreChem Technologies Ltd, all of which are listed on the Singapore Exchange.

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

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.

Mr Lim is a Non Executive director of ASX listed company Grandbridge Limited.

### **D Ambrosini**

*Executive Director and Company Secretary – Age 38*

Shares held – nil

Listed options – nil

Unlisted Options held in MEC – 800,000

Unlisted Options held in Advent – 500,000

Deborah is a chartered accountant with over 11 years' experience in accounting and business development spanning the biotechnology, mining, IT communications and financial services sectors. She has extensive experience both nationally and internationally in financial and business planning, compliance and taxation.

Deborah is a member of the Institute of Chartered Accountants in Australia and was a state finalist in the 2009 Telstra Business Woman Awards. Deborah was also a recipient of the highly regarded 40 under 40 award held by the WA Business News.

Deborah is also a Director of ASX listed BPH Energy Limited and Grandbridge Limited.

## **Remuneration Report (Audited)**

This report details the nature and amount of remuneration for each key management personnel of MEC Resources Ltd.

H Goh – Non-Executive Chairman

D L Breeze - Executive Director

K O Yap - Non-Executive Director

C T Lim - Non-Executive Director (resigned 2 April 2012)

D Ambrosini – Executive Director and Company Secretary

E H Tan – Non Executive Director of Advent

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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## 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 as determined by the board and/or shareholders. The remuneration report as contained in the 2011 financial accounts was adopted at the Company's 2011 annual general meeting. Although a total of 34% of valid proxy votes were against the adoption of this report 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. Remuneration for both Executive and Non-Executive directors has not increased since company inception. Although remuneration is reviewed annual against local market levels the Board believes this course of action to be appropriate.

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.

- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options.
- 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. 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.

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.

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.

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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## 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 and options not exercised before or on the date of termination do not lapse.

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

## Employment contracts of directors

The employment conditions of the managing director are formalised in a contract of employment. The employment contract 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 lapse.

The remaining directors are consultants to MEC Resources Ltd and each party can terminate their services by written notice.

## Details of Remuneration for the year ended 30 June 2012

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

2012

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Bonus	Non-cash benefit	Other	Superannuation
H Goh	100,000	-	-	-	-
D L Breeze	115,000	-	-	-	-
K O Yap	25,000	-	-	-	-
C T Lim	18,750	-	-	-	-
D Ambrosini	50,000	-	-	-	-
E H Tan	25,000	-	-	-	-

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

2012 (cont'd)							
Key Management Person	Long-term Benefits		Share-based payment		Total	Performance Related	Compensation relating to options
	Other	Shares	Options	\$	%	%	
H Goh	-	-	-	100,000	-	-	
D L Breeze	-	-	-	115,000	-	-	
K O Yap	-	-	-	25,000	-	-	
C T Lim	-	-	-	18,750	-	-	
D Ambrosini	-	-	37,167	87,167	-	43%	
E H Tan	-	-	-	25,000	-	-	

2011						
Key Management Person	Short-term Benefits				Post-employment Benefits	
	Cash, Salary and Fees	Bonus	Non-cash benefit	Other	Superannuation	
H Goh	100,000	-	-	-	-	
D L Breeze	115,000	-	-	-	-	
K O Yap	25,000	-	-	-	-	
C T Lim	25,000	-	-	-	-	
D Ambrosini	50,000	-	-	-	-	
E H Tan	25,000	-	-	-	-	

2011 (cont'd)							
Key Management Person	Long-term Benefits		Share-based payment		Total	Performance Related	Compensation relating to options
	Other	Shares	Options	\$	%	%	
H Goh	-	-	-	100,000	-	-	
D L Breeze	-	-	356,800	471,800	-	76%	
K O Yap	-	-	-	25,000	-	-	
C T Lim	-	-	-	25,000	-	-	
D Ambrosini	-	-	32,884	82,884	-	40%	
E H Tan	-	-	-	25,000	-	-	

The company has an agreement with Trandcorp Pty Ltd on normal commercial terms procuring the services of David Breeze. The agreement 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 up to \$25,000 per annum per director and \$50,000 per annum for the Chairman.

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

The following share-based payment arrangements were in existence relating to directors remuneration.

Option Series	Company	Grant date	Expiry date	Grant date fair value	Vesting date	No. of Options
14/05/2008	Advent Energy	14/05/2008	28/12/2012	0.0319	28/12/2009	2,000,000
01/06/2008	MEC Resources	01/06/2008	30/06/2013	0.0304	01/06/2011	800,000
05/08/2010	Advent Energy	05/08/2010	05/08/2015	0.1784	05/08/2010	2,000,000
05/08/2010	Advent Energy	05/08/2010	05/08/2015	0.1784	50% - 05/08/2013 50% - 05/08/2014	500,000

There are no further service or performance criteria that need to be met in relation to options granted.

There were no grants of share based payment compensation to directors and senior management during the year.

## Company performance, shareholder wealth, and director and executive remuneration

The following table shows the gross revenue and the operating result for the last 5 years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows an increase in the operating loss in the current year. The Board is of the opinion that the increased loss is in line with expectations after the significant losses incurred on MEC's investments during the year as a result of the decline in market conditions.

	2008	2009	2010	2011	2012
Revenue	1,067,694	108,306	309,685	670,522	376,380
Net Profit/Loss	(433,939)	(3,357,021)	(2,905,010)	(8,005,537)	(9,645,887)
Share price at Year end	\$0.115	\$0.105	\$0.385	\$0.11	\$0.085
Earnings per share	(\$0.668)	(\$3.27)	(\$2.53)	(\$2.79)	(\$5.89)

End of remuneration report.

## Meetings of Directors

During the financial year, two 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	2	2
D L Breeze	2	2
K O Yap	2	2
C T Lim	2	2
D Ambrosini	2	2

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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## Indemnifying Officers or Auditors

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$26,513.

- D Breeze
- D Ambrosini
- H Goh
- K O Yap

The company has not indemnified the current or former auditor of the Company.

## Options

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

### MEC Resources

Grant Date	Date of Expiry	Exercise Price	Number Under Option
01/06/2008	01/06/2013	\$0.15	1,336,667
06/08/2008	06/08/2013	\$0.15	833,333
05/08/2010	05/08/2015	\$1.25	150,000
06/10/2010	06/10/2015	\$1.25	250,000
06/10/2010	06/10/2015	\$1.50	250,000
04/11/2010	04/11/2015	\$1.25	100,000
21/01/2011	21/01/2016	\$0.80	575,000
14/07/2011	14/07/2015	\$0.35	1,000,000

### Advent Energy

Grant Date	Date of Expiry	Exercise Price	Number Under Option
14/05/2008	28/12/2012	\$0.06	2,000,000
01/06/2008	30/06/2013	\$0.06	2,000,000
05/08/2010	05/08/2015	\$2.00	3,500,000

### Listed Options – MEC Resources Ltd

Grant Date	Date of Expiry	Exercise Price	Number Under Option
07/08/2008	04/07/2013	\$0.20	48,954,570

## Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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During the year ended 30 June 2012, 10,000 ordinary shares of MEC Resources Ltd were issued on the exercise of options granted under the MEC Resources Ltd (2011: 8,786,666). 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.

### 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.

### Environmental Issues

The consolidated group's operations are subject to significant environmental regulation under Commonwealth and State laws. Details of the consolidated group's performance in relation to environmental regulation follow.

During the year Advent applied for and was granted the approval to re-enter Vienta-1 and Waggon Creek-1 within EP386 during the 2011 dry season for the purposes of performing production testing on these gas discovery wells. Vienta-1 was drilled in 1998 and Waggon Creek-1 was drilled in 1995 by previous operators. Advent opted to access these sites using existing access roads, tracks and previously cleared seismic lines to ensure that any impact on the environment through its re-entry activities was as low as reasonably practical. The early onset of the wet season prevented Advent concluding its production testing operations during 2011. These are intended to be concluded during the 2012 dry season under the existing approved Environmental Management Plan.

### 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 in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2012. (2011: Nil).

### Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2012 has been received and can be found on page 13.

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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The directors' report is signed in accordance with a resolution of directors made pursuant to S298(2) of the Corporations Act 2001.

A handwritten signature in black ink, appearing to read 'D. Breeze'.

David Breeze

Director

Dated this 30th Day of August 2012

MEC Resources Ltd  
14 View Street  
NORTH PERTH WA 6006

30 August 2012

Dear Board Members

## MEC Resources Ltd

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of MEC Resources Ltd.

As lead audit partner for the audit of the financial statements of MEC Resources Ltd for the financial year ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



**Chris Nicoloff**  
Partner  
Chartered Accountants

# Corporate Governance Statement

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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**

MEC and the board are committed to achieving and demonstrating the highest standards of corporate governance. The board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

## **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 comprise 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 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 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 Statement

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## 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 Managing Director. The Board ensures that the Managing Director 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 8 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
<p><b>Principle 1: Lay solid foundations for management and oversight</b></p> <p>The relationship between the board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.</p> <p>The responsibilities of the board include:</p>

# Corporate Governance Statement

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## Action taken and reasons if not adopted

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- providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, and financial plans including major capital expenditure initiatives;
- overseeing and monitoring:
  - organisational performance and the achievement of the Group's strategic goals and objectives and
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments
- monitoring financial performance including approval of the annual and half-year financial reports;
- appointment, performance assessment and, if necessary, removal of the Managing Director;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO (Deborah Ambrosini) and the Company Secretary;
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organization;
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders;

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the board to the Managing Director and senior executives.

### **Principle 2: Structure the board to add value**

The board operates in accordance with the broad principles set out in its charter. The charter details the board's composition and responsibilities.

The board seeks to ensure that :

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective; and
- the size of the board is conducive to effective discussion and efficient decision-making.

### **Directors' independence**

The board has adopted specific principles in relation to directors' independence. These state that when determining independence, a director must be a non-executive and the board should consider whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;

# Corporate Governance Statement

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## Action taken and reasons if not adopted

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- is or has been employed in an executive capacity by the company or any other Group member within three years before commencing to serve on the board;
- within the last three years has been a principal of a material professional adviser or a material consultant to the company or any other Group member, or an employee materially associated with the service provided;
- has a material contractual relationship with the company or a controlled entity other than as a director of the Group;
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases. A transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

The board assesses independence each year. To enable this process, the directors must provide all information that may be relevant to the assessment.

### Board members

Details of the members of the board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading "Information on directors". At the date of signing the directors' report, there are three non-executive directors and two executive directors, four of whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

- Mr Breeze has business dealings with the Group as disclosed in note 23 to the financial report.

### Term of office

The company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election, subject to the following limitations:

- on attaining the age of 72 years a director will retire, by agreement, at the next AGM and will not seek re-election.

### Chair and Managing Director

The Chair is responsible for leading the board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating board discussions and managing the board's relationship with the company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chair.

The Managing Director is responsible for implementing Group strategies and policies.

### Committees

The number of meetings of the company's board of directors and of each board committee held during the year ended 30 June 2012, and the number of meetings attended by each director is disclosed on page 9.

# Corporate Governance Statement

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## Action taken and reasons if not adopted

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It is the company's practice to allow its executive directors to accept appointments outside the company. No appointments of this nature were accepted during the year ended 30 June 2012.

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 Board.

Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

### **Principle 3: Promote ethical and responsible decision making**

The company has developed a statement of values which has been fully endorsed by the board and applies to all directors and employees. The Statement is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the company's stakeholders.

The Statement requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The purchase and sale of company securities by directors and employees is monitored by the Board.

The company is committed to Diversity and Equal Opportunity within its workforce placing particular focus on the level of gender diversity at senior levels of the organisation. The company ensure this is achieved by :

- ensuring recruitment and selection practices enable the availability of a diverse candidate pool for appointments at senior levels; and
- ensuring remuneration practices are free from gender bias.

At conclusion of the reporting year one of MEC's 4 directors is female.

### **Principle 4: Safeguard integrity in financial reporting**

Adopted except as follows:-

The Company does not have a separate Audit Committee. The full Board carries out the functions of an Audit Committee. The Board has the authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

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 benefits to be obtained by establishing such a committee.

The Board follows the Audit Committee Charter, a copy of which is available on request.

The Company is not of a size at the moment that justifies having an internal audit division.

# Corporate Governance Statement

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## Action taken and reasons if not adopted

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### External auditors

The Board's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Deloitte was appointed as the external auditor in 2010. It is the Corporation Act's policy to rotate audit engagement partners on listed companies at least every five years. A partner should not be re-assigned to a listed entity audit engagement if this equates to the partner serving in this role for more than 5 out of 7 successive years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 4 to the financial statements. The external auditors provide an annual declaration of their independence to the Board.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

### Principle 5&6: Make timely and balanced disclosures and respect the rights of shareholders

#### Continuous disclosure and shareholder communication

The company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market.

All shareholders receive a copy of the company's annual (full or concise) and half-yearly reports. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, and financial reports available on the company's website.

### Principle 7: Recognise and manage risk

The board and senior executives are responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's

# Corporate Governance Statement

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## Action taken and reasons if not adopted

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business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The board actively promotes a culture of quality and integrity.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Managing Director. The Board ensures that the Managing Director 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 receives monthly updates as to the effectiveness of the company's management of material risks that may impede meeting business objectives.

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.

Control procedures cover management accounting, financial reporting, project appraisal, IT security, compliance and other risk management issues. The Managing Director is required to ensure that appropriate controls are in place to effectively manage the identified risks. This is monitored by the board on a monthly basis.

### **The environment**

Information on compliance with significant environmental regulations is set out in the directors' report.

### **Corporate reporting**

The Managing Director and CFO have made the following certifications to the board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards;
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

### **Principle 8: Remunerate fairly and responsibly**

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

# Corporate Governance Statement

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## Action taken and reasons if not adopted

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The board makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors.

Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description.

Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading "Remuneration report". In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements.

The board with the Managing Director also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

# Statement of Comprehensive Income

for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Note	Consolidated	
		2012 \$	2011 \$
Revenue	2	376,380	670,522
Other gains and losses	2	(7,766,232)	(3,175,465)
Other Income	2	5,837	13,073
Administration expenses		(240,785)	(396,740)
Consulting and Legal expenses		(145,008)	(2,400,263)
Depreciation and amortisation expense		(3,755)	(2,625)
Share of gains and losses in associate		(33,989)	(43,535)
Employee expenses	3	(791,650)	(1,121,173)
Insurance expenses		(48,909)	(49,883)
Interest expenses		(23,817)	(178,801)
Data Centre administration		(26,360)	(21,065)
Service Fees		(347,040)	(347,040)
Travelling expenses		(205,739)	(343,297)
Other expenses		(394,820)	(609,245)
Operating Loss Before Income Tax		(9,645,887)	(8,005,537)
Income tax expense	8	-	-
Operating Loss for the year		(9,645,887)	(8,005,537)
Other Comprehensive Income		-	-
Total Comprehensive income for the period		(9,645,887)	(8,005,537)
Loss attributable to non-controlling interest		(467,162)	(3,949,738)
Loss attributable to owners of the company		(9,178,725)	(4,055,799)
Total Comprehensive income attributable to non-controlling interest		(467,162)	(3,949,738)
Total Comprehensive Income attributable to the owners of the Company		(9,178,725)	(4,055,799)
<i>Earnings Per Share –</i>			
<i>Basic and diluted earnings per share (cents per share)</i>	6	(5.89)	(2.79)

The accompanying notes form part of these financial statements.

# Statement of Financial Position as at 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Note	Consolidated	
		2012 \$	2011 \$
<b>Current Assets</b>			
Cash and cash equivalents	7	7,033,662	12,415,165
Trade and other receivables	9	126,116	277,971
Financial assets	12	44,867	40,698
Other current assets	10	29,529	18,435
<b>Total Current Assets</b>		<b>7,234,174</b>	<b>12,752,269</b>
<b>Non-Current Assets</b>			
Other non-current assets	10	22,673	22,673
Evaluation and exploration expenditure	11	31,694,213	29,505,867
Financial assets	12	1,000,552	477,542
Investments in associates	28	-	9,673,230
Property, plant & equipment	13	12,436	4,165
<b>Total Non-Current Assets</b>		<b>32,729,874</b>	<b>39,683,477</b>
<b>Total Assets</b>		<b>39,964,048</b>	<b>52,435,746</b>
<b>Current Liabilities</b>			
Trade and other payables	14	2,701,145	3,972,732
Provisions	15	117,241	106,103
Financial liabilities	16	416,889	2,219,050
<b>Total Current Liabilities</b>		<b>3,235,275</b>	<b>6,297,885</b>
<b>Non-Current Liabilities</b>			
Provisions	15	5,230	4,242
<b>Total Non-Current Liabilities</b>		<b>5,230</b>	<b>4,242</b>
<b>Total Liabilities</b>		<b>3,240,505</b>	<b>6,302,127</b>
<b>Net Assets</b>		<b>36,723,543</b>	<b>46,133,619</b>
<b>Equity</b>			
Issued capital	17	24,922,466	24,920,661
Option Reserve	18	385,196	262,690
Accumulated losses		(19,655,540)	(10,476,815)
Total Equity Attributable to Owners		5,652,122	14,706,536
Non-controlling Interest		31,071,421	31,427,083
<b>Total Equity</b>		<b>36,723,543</b>	<b>46,133,619</b>

The accompanying notes form part of these financial statements.

# Statement of Changes in Equity for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Issued Share Capital \$	Accumulated losses \$	Option Reserve \$	Total attributable to owners \$	Non- controlling Interest \$	Total Equity \$
<b>Balance at 1 July 2010</b>	11,808,203	(7,582,991)	293,107	4,518,319	19,393,360	23,911,679
Loss attributable to members of the consolidated entity	-	(4,055,799)	-	(4,055,799)	(3,949,738)	(8,005,537)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	(4,055,799)	-	(4,055,799)	(3,949,738)	(8,005,537)
Transactions with owners in their capacity as owners						
Shares issued during the financial year	10,984,714	-	-	10,984,714	-	10,984,714
Issue of shares by subsidiary	-	1,161,975	(148,123)	1,013,852	15,519,481	16,533,333
Options exercised during the financial period	2,434,744	-	-	2,434,744	-	2,434,744
Options issued during the financial period	-	-	117,706	117,706	463,980	581,686
Capital raising costs	(307,000)	-	-	(307,000)	-	(307,000)
<b>Balance at 30 June 2011</b>	<b>24,920,661</b>	<b>(10,476,815)</b>	<b>262,690</b>	<b>14,706,536</b>	<b>31,427,083</b>	<b>46,133,619</b>
<b>Balance at 1 July 2011</b>	24,920,661	(10,476,815)	262,690	14,706,536	31,427,083	46,133,619
Loss attributable to members of the consolidated entity	-	(9,178,725)	-	(9,178,725)	(467,162)	(9,645,887)
Other comprehensive income	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	(9,178,725)	-	(9,178,725)	(467,162)	(9,645,887)
Transactions with owners in their capacity as owners						
Options exercised during the financial period	1,805	-	-	1,805	-	1,805
Options issued during the financial period	-	-	122,506	122,506	111,500	234,006
<b>Balance at 30 June 2012</b>	<b>24,922,466</b>	<b>(19,655,540)</b>	<b>385,196</b>	<b>5,652,122</b>	<b>31,071,421</b>	<b>36,723,543</b>

The accompanying notes form part of these financial statements.

# Cash Flow Statement for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Note	Consolidated	
		2012 \$	2011 \$
<b><i>Cash Flows From Operating Activities</i></b>			
Receipts from customers		-	140,053
Payments to suppliers and employees		(2,968,234)	(5,281,619)
Interest received		382,216	672,191
<b>Net cash used in operating activities</b>	<b>19</b>	<b>(2,586,018)</b>	<b>(4,469,375)</b>
<b><i>Cash Flows From Investing Activities</i></b>			
Amounts repaid by/ (loaned to) other entities		(1,946,613)	3,995,279
Receipt/(Payment) for investments		1,350,000	(6,632,135)
Payment for property, plant and equipment		(12,026)	(1,627)
Payment for deferred expenditure – (net of reimbursements)		(2,188,346)	(23,443,251)
<b>Net cash used in investing activities</b>		<b>(2,796,985)</b>	<b>(26,081,734)</b>
<b><i>Cash Flows From Financing Activities</i></b>			
Proceeds from capital raising – (net of share issue costs)		-	25,605,426
Proceeds from share issue		1,500	-
<b>Net cash provided by financing activities</b>		<b>1,500</b>	<b>25,605,426</b>
<i>Net increase (decrease) in Cash Held</i>		(5,381,503)	(4,945,683)
<i>Cash At the Beginning Of The Financial Year</i>		12,415,165	17,360,848
<b><i>Cash At The End Of The Financial Year</i></b>	<b>7</b>	<b>7,033,662</b>	<b>12,415,165</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies

### Corporate Information

The financial report includes the consolidated financial statements and the notes of MEC Resources Ltd and its controlled entities ('Consolidated Group' or 'Group').

MEC Resources Ltd is a public listed company on the ASX, which is incorporated and domiciled in Australia.

The financial report was authorised for issue on 30th August 2012 by the board of directors.

### 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 ("AASB") 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 stated below.

### Compliance with IFRS

The consolidated financial statements of the MEC Resources Ltd comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

### Accounting Policies

#### (a) 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.

A list of controlled entities is contained in Note 24 to the financial statements. All controlled entities have a June financial year-end.

As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

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

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

## **(b) 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. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate. Acquisition-related costs are recognised in profit or loss as incurred.

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.

## **(c) 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.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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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 recognised in the statement of comprehensive income except where it relates to items that may be recognised 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 or unused tax losses and tax credits 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.

## (d) 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 statement of comprehensive income 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.

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Plant and equipment	33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position 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.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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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.

## **(e) 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.

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.

## **(f) 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 and 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 and loss.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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## Classification and Subsequent Measurement

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

Financial assets are classified at fair value through profit and 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 the profit and 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.

The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as AFS financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

### (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 significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income .

## Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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### (g) Derivatives

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the statement of comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities

### (h) 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 statement of comprehensive income .

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.

### (i) 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 statement of financial position.

### (j) Revenue

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

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

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 by reference to the stage of completion of the contract.

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

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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## **(k) 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 statement of financial position 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.

## **(l) Trade and other payables**

Liabilities are recognized for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. The amounts are unsecured and are usually paid within 30 days.

## **(m) Share based payments**

Share based compensation benefits are provided to employees via the Company's Employee Option plan.

The fair value of options granted under the Company's Employee Option Plan is recognized as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using a Black and Scholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and risk free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the entity revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

## **(n) Earnings per share**

Basic earnings per share (EPS) is calculated as net profit/loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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## (o) Foreign Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('\$'), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

## (p) 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.

## (q) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to statement of financial position. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

## Critical Accounting Estimates and Judgements

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 statement of financial position date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(e).

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 Ltd and Asset Energy Pty Ltd. 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 2012.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2012 \$	2011 \$
<b>2. Revenue</b>		
<b>Revenue</b>		
Interest revenue : other entities	376,380	540,522
Consulting income	-	130,000
<b>Total revenue</b>	<b>376,380</b>	<b>670,522</b>
<b><i>Other Income and gains and losses</i></b>		
Net gain/loss on financial assets designated as fair value through profit and loss	63,293	(96,303)
Losses on disposal of associate	(7,829,525)	-
Net Fair Value losses on Foreign currency derivative	-	(1,299,363)
Net foreign exchange gains/losses	-	(1,779,799)
	<b>(7,766,232)</b>	<b>(3,175,465)</b>
Other income	5,837	13,073
	<b>(7,760,395)</b>	<b>3,162,392</b>
<b>3. Loss For The Year</b>		
<b>Expenses</b>		
<b>Employee Expenses</b>		
Salary	522,386	507,698
Superannuation expense	22,828	20,954
Share-based payments	234,310	588,716
Other payroll expenses	12,126	3,805
	<b>791,650</b>	<b>1,121,173</b>
<b>4. Auditors' Remuneration</b>		
Remuneration of the auditor of the parent entity for:		
Deloitte Touche Tohmatsu	50,619	37,368
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries		
Deloitte Touche Tohmatsu	7,700	7,500
	<b>58,319</b>	<b>44,868</b>

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

## 5. 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  
 D L Breeze - Executive Director  
 K O Yap - Non-Executive Director  
 C T Lim - Non-Executive Director (resigned 2 April 2012)  
 D Ambrosini – Executive Director  
 E H Tan – Non-Executive Director of Advent

Short term employee benefits	333,750	340,000
Share based payments	37,167	389,684
	<u>370,917</u>	<u>729,684</u>

Key management personnel remuneration is disclosed in the remuneration report included in the directors report. Key management personnel shareholdings and option holdings are show below:

### Options and Rights Holdings

#### 2012 Number of Listed Options Held by Key Management Personnel

	Balance 1.7.2011	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2012	Total Vested 30.6.2012	Total Vested and Exercisable 30.6.2012	Total Unexercisable 30.6.2012
H Goh	4,725,144	-	-	-	4,725,144	4,725,144	4,725,144	-
D Breeze	7,608,228	-	-	-	7,608,228	7,608,228	7,608,228	-
K O Yap	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-
C T Lim	2,062,500	-	-	(2,062,500)	-	-	-	-
D Ambrosini	-	-	-	-	-	-	-	-
E H Tan	-	-	-	-	-	-	-	-

#### 2011 Number of Listed Options Held by Key Management Personnel

	Balance 1.7.2010	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2011	Total Vested 30.6.2011	Total Vested and Exercisable 30.6.2011	Total Unexercisable 30.6.2011
H Goh	4,725,144	-	-	-	4,725,144	4,725,144	4,725,144	-
D Breeze	7,608,228	-	-	-	7,608,228	7,608,228	7,608,228	-
K O Yap	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-
C T Lim	2,062,500	-	-	-	2,062,500	2,062,500	2,062,500	-
D Ambrosini	-	-	-	-	-	-	-	-
E H Tan	-	-	-	-	-	-	-	-

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

## 2012 Number of Unlisted Options Held by Key Management Personnel MEC Resources Ltd

	Balance 1.7.2011	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2012	Total Vested 30.6.2012	Total Vested and Exercisable 30.6.2012	Total Unexercisable 30.6.2012
H Goh	-	-	-	-	-	-	-	-
D Breeze	-	-	-	-	-	-	-	-
K O Yap	-	-	-	-	-	-	-	-
C T Lim	-	-	-	-	-	-	-	-
D Ambrosini	800,000	-	-	-	800,000	800,000	800,000	-
E H Tan	-	-	-	-	-	-	-	-

## 2011 Number of Unlisted Options Held by Key Management Personnel MEC Resources Ltd

	Balance 1.7.2010	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2011	Total Vested 30.6.2011	Total Vested and Exercisable 30.6.2011	Total Unexercisable 30.6.2011
H Goh	-	-	-	-	-	-	-	-
D Breeze	3,000,000	-	(3,000,000)	-	-	-	-	-
K O Yap	-	-	-	-	-	-	-	-
C T Lim	-	-	-	-	-	-	-	-
D Ambrosini	800,000	-	-	-	800,000	800,000	800,000	-
E H Tan	-	-	-	-	-	-	-	-

## 2012 Number of Unlisted Options Held by Key Management Personnel Advent Energy Ltd

	Balance 1.7.2011	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2012	Total Vested 30.6.2012	Total Vested and Exercisable 30.6.2012	Total Unexercisable 30.6.2012
H Goh	-	-	-	-	-	-	-	-
S K Yap	-	-	-	-	-	-	-	-
D Breeze	4,000,000	-	-	-	4,000,000	4,000,000	4,000,000	-
K O Yap	-	-	-	-	-	-	-	-
C T Lim	-	-	-	-	-	-	-	-
D Ambrosini	500,000	-	-	-	500,000	-	-	500,000
E H Tan	-	-	-	-	-	-	-	-

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

## 2011 Number of Unlisted Options Held by Key Management Personnel Advent Energy Ltd

	Balance 1.7.2010	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2011	Total Vested 30.6.2011	Total Vested and Exercisable 30.6.2011	Total Unexercisable 30.6.2011
H Goh	-	-	-	-	-	-	-	-
S K Yap	-	-	-	-	-	-	-	-
D Breeze	2,000,000	2,000,000	-	-	4,000,000	4,000,000	4,000,000	-
K O Yap	-	-	-	-	-	-	-	-
C T Lim	-	-	-	-	-	-	-	-
D Ambrosini	-	500,000	-	-	500,000	-	-	500,000
E H Tan	-	-	-	-	-	-	-	-

## Shareholdings - MEC Resources Number of Shares Held by Key Management Personnel

### 2012

	Balance 1.7.2011	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2012
H Goh	5,085,498	-	-	-	5,085,498
D L Breeze	13,183,654	-	-	-	13,183,654
K O Yap	4,039,350	-	-	-	4,039,350
C T Lim	3,434,350	-	-	(3,434,350)	-
D Ambrosini	-	-	-	-	-
E H Tan	-	-	-	-	-

### 2011

	Balance 1.7.2010	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2011
H Goh	5,135,498	-	-	(50,000)	5,085,498
D L Breeze	10,183,654	-	3,000,000	-	13,183,654
K O Yap	4,039,350	-	-	-	4,039,350
C T Lim	3,434,350	-	-	-	3,434,350
D Ambrosini	-	-	-	-	-
E H Tan	-	-	-	-	-

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

## Shareholdings - Advent Energy Number of Shares Held by Key Management Personnel

### 2012

	Balance 1.7.2011	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2012
H Goh	3,000,000	-	-	-	3,000,000
D L Breeze	-	-	-	-	-
K O Yap	-	-	-	-	-
C T Lim	-	-	-	-	-
D Ambrosini	-	-	-	-	-
E H Tan	2,000,000	-	-	-	2,000,000

### 2011

	Balance 1.7.2010	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2011
H Goh	3,000,000	-	-	-	3,000,000
D L Breeze	-	-	-	-	-
K O Yap	-	-	-	-	-
C T Lim	-	-	-	-	-
D Ambrosini	-	-	-	-	-
E H Tan	2,000,000	-	-	-	2,000,000

## 6. Earnings per share

	Consolidated	
	2012	2011
	\$	\$
(a) Reconciliation of Earnings to Profit or Loss		
Net loss attributable to members of the parent	(9,178,725)	(4,055,799)
Earnings used to calculate basic and diluted EPS	(9,178,725)	(4,055,799)
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	155,812,574	145,417,709
The Company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options will result in a decreased net loss per share.		

## 7. Cash and cash equivalents

Cash at bank and in hand	7,033,662	12,415,165
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### 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 statement of financial position as follows:

Cash and cash equivalents	7,033,662	12,415,165
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# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2012	2011
	\$	\$
<b>8. Income Tax Expense</b>		
(a) The components of tax expense comprise:		
Current tax	-	-
Deferred tax	-	-
The expense for the year can be reconciled to accounting loss as follows:		
Loss from continuing operations	(9,645,887)	(8,005,537)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2011: 30%)	(2,893,766)	(2,401,661)
Non deductible expenses	2,369,010	59,153
Difference in tax rates of parent which is taxed at 25% (due to pooled development fund status)	37,672	40,789
Unused tax losses not recognised as deferred tax assets	487,084	2,301,719
	-	-
Weighted average rate of tax	-%	-%
(b) The following deferred tax balances at 30% (2011: 30%) have not been recognised		
Deferred Tax Assets:		
Temporary differences	125,475	313,944
Carry forward revenue losses	13,760,781	12,811,569

The tax benefits of the above Deferred Tax Assets will only be obtained if:

- (i) company derives future assessable income in a nature and of an amount sufficient to enable the benefits to be utilised;
- (ii) the company continues to comply with the conditions for deductibility imposed by law; and
- (iii) no changes in income tax legislation adversely affect the company in utilising the benefits.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2012	2011
	\$	\$
(c) Unrecognised deferred liabilities		
Fair value movement in investments	131,981	123,586
Exploration Expenditure	9,812,251	8,858,474
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.		

## 9. Trade and other receivables

### CURRENT

Trade receivables	105,007	105,007
Net GST receivables	21,109	172,964
	<hr/>	<hr/>
	126,116	277,971
	<hr/>	<hr/>

### Ageing of past due but not impaired

60-90 days	-	-
90-120 days	-	-
120 days and over	105,007	105,007
Total	<hr/>	<hr/>
	105,007	105,007
	<hr/>	<hr/>

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2012	2011
	\$	\$
<b>10. Other Assets</b>		
<u>Current</u>		
Prepaid expenses	29,529	18,435
	<hr/>	<hr/>
	29,529	18,435
	<hr/>	<hr/>
<u>Non Current</u>		
Other Assets	22,673	22,673
	<hr/>	<hr/>
Total Other Assets	22,673	22,673
	<hr/>	<hr/>
<b>11. Capitalised Exploration Costs</b>		
Exploration expenditure capitalised		
Exploration and evaluation phases	31,694,213	29,505,867
	<hr/>	<hr/>
	31,694,213	29,505,867
	<hr/>	<hr/>
Reconciliation of movement during the year		
Opening balance at 1 July	29,505,867	5,209,226
Capitalised expenditure – EP 325	4,980	4,564
Capitalised expenditure – PEP 11	920	26,320,220
Capitalised expenditure – EP 386	2,182,446	131,857
Less reimbursements – PEP 11	-	(2,160,000)
	<hr/>	<hr/>
Balance at 30 June	31,694,213	29,505,867
	<hr/>	<hr/>

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of natural gas.

Capitalised costs amounting to \$2,188,346 (2011:\$23,443,251) have been included in cash flows from investing activities in the statement of cashflows.

## Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2012	2011
	\$	\$
<b>12. Financial Assets</b>		
<b>Current</b>		
Loan receivable	44,867	40,698
Total	44,867	40,698
<b>Loans receivable</b>		
Loan to Grandbridge Limited (a)	44,867	40,698
<b>Non current</b>		
Fair Value through Profit and Loss Financial Assets		
Investment in Central Petroleum Ltd	686,418	407,631
Investment in BPH Energy Limited (b)	244,223	-
Available for sale financial assets		
Investment in Molecular Discovery Systems Ltd	69,911	69,911
	<u>1,000,552</u>	<u>477,542</u>

(a) The loan to Grandbridge Limited is an unsecured non-interest bearing and repayable on demand.

(b) During the period MEC participated in a selective share buyback with BPH Energy Limited ("BPH"). BPH agreed to buy back up to \$1.35 million of the Company's shareholding in BPH. The number of buy-back Shares was determined by dividing the total Consideration by the 5-day volume weighted average closing price of Shares prior to the date of the buy-back. A total of 48,548,387 shares was sold back to BPH on the 16 September 2011 after BPH shareholder approval was attained. As a result of this transaction BPH is no longer considered an associate of MEC and MEC now holds 8.33% of BPH. Refer to note 28 for details of the transaction.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2012 \$	2011 \$
<b>13. Property, Plant and Equipment</b>		
Plant and Equipment:		
At cost	27,907	15,882
Accumulated depreciation	(15,471)	(11,717)
Total Property, Plant and Equipment	<u>12,436</u>	<u>4,165</u>

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

	Consolidated	
	2012 \$	2011 \$
Consolidated Entity:		
Balance at the beginning of the year	4,165	5,163
Additions	12,026	1,627
Disposals	-	-
Depreciation expense	(3,755)	(2,625)
Carrying amount at the end of the year	<u>12,436</u>	<u>4,165</u>

## 14. Trade and other payables

Trade payables	2,354,764	2,998,630
Sundry payables and accrued expenses	346,381	974,102
	<u>2,701,145</u>	<u>3,972,232</u>

## 15. Provisions

### Current

Employee entitlements:

Opening balance at 1 July	24,260	20,454
Increase/Decrease in provision	11,138	3,806
Balance at 30 June	<u>35,398</u>	<u>24,260</u>

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	\$	\$
Share sale agreement		
Opening balance at 1 July	81,843	81,843
Increase in provision	-	-
Balance at 30 June	81,843	81,843
Total Provisions	117,241	106,103

## **Provision for Employee Entitlements**

A provision has been recognised for employee entitlements relating to annual leave and long service leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

## **Provision for Share Sale Agreement**

A provision has been recognised for the payment of fees to relevant parties upon the successful listing of Advent Energy Ltd.

### Non Current

Employee entitlements:

Opening balance at 1 July	4,242	-
Increase/Decrease in provision	988	4,242
Balance at 30 June	5,230	4,242

## **16. Financial Liabilities**

Loans payable

Loan from BPH Energy Limited (ii)	-	1,778,801
Loan from BPH Energy Limited (i)	41,935	44,115
Loan from Grandbridge Limited (i)	373,596	394,776
Loans from other entities (i)	1,358	1,358
	416,889	2,219,050

(i) Loans payable are unsecured, non-interest bearing and repayable on demand.

(ii) During the period Advent Energy repaid an amount of \$1.8M in full and final settlement of its obligations under the secured loan agreement entered into with BPH on 15 June 2010.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2012 \$	2011 \$
<b>17. Issued Capital</b>		
155,813,150 (2011: 155,803,150) fully paid ordinary shares	25,952,615	25,950,810
Less: Capital raising costs	(1,030,149)	(1,030,149)
Issued Capital	<u>24,922,466</u>	<u>24,920,661</u>

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

## Ordinary Shares

	2012 \$	2011 \$	2012 No	2011 No
At the beginning of reporting period	24,920,661	11,808,203	155,803,150	118,149,377
Issued 14 October 2010 as part of MEC Resources entitlement issue	-	6,017,881	-	12,035,762
Placement to sophisticated investor on 8 October 2010	-	275,000	-	500,000
Payment for consultancy services	-	191,833	-	488,491
Placement to sophisticated investor on 15 September 2010	-	4,500,000	-	12,857,143
Shares issued during the year on conversion of options	1,805	2,434,744	10,000	11,772,377
Capital raising costs incurred	-	(307,000)	-	-
At reporting date	<u>24,922,466</u>	<u>24,920,661</u>	<u>155,813,150</u>	<u>155,803,150</u>

## Fully Paid Ordinary Share Capital

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

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

## (a) Options

There were 11,995,000 unlisted employee options on issue at the end of the year:

<b>Advent Energy</b>		
<b>Total number</b>	<b>Exercise price</b>	<b>Expiry date</b>
2,000,000	\$0.06	28 December 2012
2,000,000	\$0.06	30 June 2013
3,500,000	\$2.00	05 August 2015
<b>7,500,000</b>		
<b>MEC Resources</b>		
1,336,667	\$0.15	01 June 2013
833,333	\$0.15	06 August 2013
150,000	\$1.25	05 August 2015
250,000	\$1.25	06 October 2015
250,000	\$1.50	06 October 2015
100,000	\$1.25	04 November 2015
575,000	\$0.80	21 January 2016
1,000,000	\$0.35	14 July 2015
<b>4,495,000</b>		

There were 48,954,570 listed options on issue at the end of the year:

<b>MEC Resources</b>		
<b>Total number</b>	<b>Exercise price</b>	<b>Expiry date</b>
48,954,570	\$0.20	04 July 2013
<b>48,954,570</b>		

The market price of the company's ordinary shares at 30 June 2012 was 8.5 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.

## (b) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

The focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet corporate overheads. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2012 and 30 June 2011 are as follows:

	<b>Consolidated</b>	
	<b>2012</b>	<b>2011</b>
	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	7,033,662	12,415,165
Trade and other receivables	126,116	277,971
Trade and other payables	(2,701,145)	(3,972,732)
Working capital position	4,458,633	8,720,404

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

		Consolidated	
		2012	2011
		\$	\$
<b>18. Reserves</b>			
	Options Reserve	496,696	262,690
<b>a. Option Reserve</b>			
	The option reserve records items recognised as expenses in respect of the granting of Director and Employee share options.		
	<b>Reconciliation of movement</b>	<b>2012</b>	<b>2011</b>
		\$	\$
	Opening balance	262,690	293,107
	Options charged during the year	234,006	117,706
	Transfer to non-controlling interest (a)	(111,500)	(148,123)
	Closing balance	385,196	262,690

(a) This relates to options issued by Advent Energy in its own right, as such transferred share based payment expense to the non-controlling interest.

## 19. Cash Flow Information

### (a) Reconciliation of Cash Flow from Operations with Profit after income tax

Operating loss after income tax	(9,645,887)	(8,005,537)
Non-cash flows in profit:		
Depreciation	3,755	2,625
Revaluation on investments	7,766,232	96,303
Share based payments	234,310	588,716
Net gain on FV of forward contract	-	1,309,416
Share of associated loss	33,989	43,535
Interest expense	-	178,801
Administration recharges	140,272	133,630
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	151,855	128,648
(Increase)/decrease in other assets	(11,094)	31,280

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2012	2011
	\$	\$
Increase/(decrease) in trade payables and accruals	(1,271,576)	1,015,160
Increase/(decrease) in provisions	12,126	8,048
<b>Net cash flow from operating activities</b>	<b>(2,586,018)</b>	<b>(4,469,375)</b>

## 20. Financial Risk Management

### 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 related parties. The main purpose of non-derivative financial instruments is to raise finance for group operations policies.

#### i. Financial Risk Exposures and Management

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

##### Equity Price Risk

The Group is exposed to equity price risks arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments

##### Equity Price Sensitivity Analysis

The sensitivity analyses below has been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower:

## Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

Net loss for the year ended 30 June 2012 would decrease/increase \$46,532 (2011: increase/decrease by \$20,382) as a result of the changes in fair value of financial assets through the profit and loss; and

The Group's sensitivity to equity prices has not changed significantly from the prior year.

All listed investment are to be accounted at fair value through the profit and loss in accordance with the current Risk Management Policy.

### (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:

2012	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
<b><i>Financial Assets</i></b>				
Cash and cash equivalents	3.83%	7,033,662	-	7,033,662
Trade and other receivables	-	-	126,116	126,116
Financial Assets -current	-	-	44,867	44,867
Financial Assets- non current	-	-	1,000,552	1,000,552
		7,033,662	1,171,535	8,205,197
<b><i>Financial Liabilities</i></b>				
Trade and sundry Payables	-	-	2,701,145	2,701,145
Financial liabilities	-	-	416,889	416,889
		-	3,118,034	3,118,034

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

2011	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
<b><i>Financial Assets</i></b>				
Cash and cash equivalents	4.50%	12,415,165	-	12,415,165
Trade and other receivables	-	-	277,971	277,971
Financial Assets -current	-	-	40,698	40,698
Financial Assets- non current	-	-	477,542	477,542
		12,415,165	796,211	13,211,376
<b><i>Financial Liabilities</i></b>				
Trade and sundry Payables	-	-	3,972,732	3,972,732
Financial liabilities	9.25%	1,778,801	440,249	2,219,050
		1,778,801	4,412,981	6,191,782

## ii. Fair Values

The 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. 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.

Aggregate fair values and carrying amounts of financial assets and financial liabilities at balance date:

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	Consolidated			
	2012		2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss	930,641	930,641	407,631	407,631
Available for sale financial assets	69,911	69,911	69,911	69,911
Derivative financial assets	-	-	-	-
Loans and receivables	170,983	170,983	318,669	318,669
	1,171,535	1,171,535	796,211	796,211
<b>Financial Liabilities</b>				
Other loans and amounts due	416,889	416,889	2,219,050	2,219,050
Other liabilities	2,701,145	2,701,145	3,972,732	3,972,732
	3,118,034	3,118,034	6,191,782	6,191,782

### iii. Sensitivity Analysis

#### Interest Rate Risk

The group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks

#### Interest Rate Sensitivity Analysis

The effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group	
	2012	2011
<b>Change in profit</b>		
— Increase in interest rate by 1%	111,520	120,116
— Decrease in interest rate by 0.5%	(55,760)	(60,058)

### (c) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

## Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30 June 2012

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
- Investments in listed entities	930,641	-	-	930,641
Available for sale financial assets				
- Investments in unlisted entities	-	-	69,911	69,911
Total	930,641	-	69,911	1,000,552

30 June 2011

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
- Investments in listed entities	407,631	-	-	407,631
Available for sale financial assets				
- Investments in unlisted entities	-	-	69,911	69,911
Total	407,631	-	69,911	477,542

Reconciliation of Level 3 fair value measurements of financial assets:

	2012 Available for sale (Level 3)	2011 Available for sale (Level 3)
Opening balance	69,911	69,911
Add: Purchases	-	-
Total gains or loss in the profit and loss	-	-
Closing balance	69,911	69,911

The Company received through an in specie distribution an investment in Molecular Discovery Systems Ltd in January 2010. Management have made an assessment and believe that there is no material change in the fair value of their investments at reporting date. The investment in Molecular Discovery Systems Ltd was an arm's length transaction.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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## 21. Operating Segment

### Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the Managing Director and his management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on their investment in exploration companies. Financial information of these investments is reported to the managing director and his management team on at least a monthly basis. Currently, management's focus is on the exploration program of Advent Energy project's PEP 11, EP 325 and EP 386, which is disclosed in Note 11.

The Group operates predominantly in one industry, namely investments in the mining and resources. These activities are predominantly in Australia.

### Accounting policies and inter-segment transactions

The accounting policies used by the Group in reporting segments are the same as those contained in note one to the accounts and in the prior period.

## 22. Events after the Balance Sheet Date

On 13 August 2012 Asset Energy Pty Ltd ("Asset"), a 100% owned subsidiary of Advent Energy Ltd, received notification from the National Offshore Petroleum Titles Authority that the PEP 11 permit had been renewed for a further 5 year period.

## 23. Related Party Transactions

### (a) Directors' Remuneration

Details of directors' remuneration and retirement benefits are disclosed in the remuneration report in the Directors report and note 5.

### (b) Directors' Equity Holdings

#### Ordinary Shares

Held as at the date of this report by directors and their director-related entities in:

	2012 \$	Parent 2012 \$
MEC Resources Ltd	22,308,502	25,742,852
Advent Energy Ltd	5,000,000	5,000,000

## Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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	Parent	
	2012	2012
	\$	\$
<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	15,333,372	17,395,872
Unlisted Options		
Held as at the date of this report by key management personnel and their key management personnel-related entities in:		
MEC Resources Ltd	800,000	800,000
Advent Energy Ltd	4,500,000	4,500,000

(c) *Related entities*

A loan facility exists between Advent and its parent entity, MEC \$3,600,000 (2011: \$3,600,000). The loan is secured by a second charge over all of the assets and rights of Advent Energy including but not limited to, all real and personal property, choses in action, goodwill and called but unpaid nominal and premium capital. The loan is due and payable on the earlier of a successful capital raising or the date that MEC issues a notice for repayment.

(d) *Directors*

The Company has an agreement with Trandcorp Pty Limited on normal commercial terms procuring the services of David Breeze to provide product development services. \$65,000 (2011: \$65,000) was paid during the year.

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

## 24. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
			2012	2011
<b>Parent Entity</b>				
MEC Resources Limited	Investment	Australia		
<b>Subsidiaries of MEC Resources Ltd</b>				
Advent Energy Limited	Oil and Gas exploration and development	Australia	44.89	44.89
Asset Energy Proprietary Limited	Oil and Gas exploration and development	Australia	44.89	44.89
Onshore Energy Pty Ltd	Oil and Gas exploration and development	Australia	44.89	44.89

MEC owns 44.89% equity interest in Advent Energy and its subsidiaries and consequentially does not control more than half of the voting power of those shares. However, the majority of the board of MEC is on the board of Advent Energy and therefore have the ability to add and remove directors of Advent Energy and hence has control over the financial and operating policies of Advent Energy. Therefore Advent Energy is controlled by the Group and is consolidated in these financial statements.

## 25. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2012:

There were 11,995,000 unlisted employee options on issue at the end of the year:

Advent Energy			Grant Date	Fair value at grant date
Total number	Exercise price	Expiry date		
2,000,000	\$0.06	28 December 2012	14 May 2008	\$0.0319
2,000,000	\$0.06	30 June 2013	01 June 2008	\$0.0302
3,500,000	\$2.00	05 August 2015	05 August 2010	\$0.1784
<u>7,500,000</u>				
<b>MEC Resources</b>				
1,336,667	\$0.15	01 June 2013	01 June 2008	\$0.0304
833,333	\$0.15	06 August 2013	06 August 2008	\$0.0463
150,000	\$1.25	05 August 2015	05 August 2010	\$0.3032
250,000	\$1.25	06 October 2015	06 October 2010	\$0.3011
250,000	\$1.50	06 October 2015	06 October 2010	\$0.2780
100,000	\$1.25	04 November 2015	04 November 2010	\$0.3255
575,000	\$0.80	21 January 2016	21 January 2011	\$0.1000
1,000,000	\$0.35	14 July 2015	14 July 2011	\$0.0498
<u>4,495,000</u>				

At balance date, 10,000 MEC share options have been exercised (2011: 8,786,668).

## Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

All options granted to key management personnel are ordinary shares in MEC Resources Ltd or its subsidiary Advent Energy Ltd, which confer a right of one ordinary share for every option held.

	MEC Resources Ltd			
	2012		2011	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	3,505,000	\$0.51	11,966,666	\$0.15
Granted	1,000,000	\$0.35	500,000	\$1.25
Granted	-	-	250,000	\$1.50
Granted	-	-	575,000	\$0.80
Exercised	(10,000)	\$0.15	(786,666)	\$0.15
Exercised	-	-	(8,000,000)	\$0.21
Expired	-	-	(1,000,000)	\$0.20
Outstanding at year-end	4,495,000	\$0.48	3,505,000	\$0.51
Exercisable at year-end	3,111,667	\$0.45	2,929,999	\$0.45

	Advent Energy Limited			
	2012		2011	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	7,500,000	0.97	5,500,000	0.06
Granted	-	-	3,500,000	2.00
Exercised	-	-	-	-
Expired	-	-	(1,500,000)	0.06
Outstanding at year-end	7,500,000	0.97	7,500,000	0.97
Exercisable at year-end	6,000,000	0.71	6,000,000	0.71

The weighted average fair value of the options granted during the year was \$49,800.

## Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

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This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Exercise price :\$0.35

Life of the option: 4 years

Underlying share price : \$0.19

Expected share price volatility : 50%

Dividends : 0%

Risk free interest rate : 5.00%

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the statement of comprehensive income is \$234,310 (2011: \$588,716), and relates, in full, to equity.

### 26. Contingent Liabilities

A claim for outstanding consulting fees has been brought against Asset Energy Pty Ltd ("Asset") by Fugro Survey Pty Ltd ("Fugro") in relation to the site works conducted on PEP 11. The case is currently in pre trial stages. Following a recent allegation by Fugro that RPS Energy Pty Ltd ("RPS") authorised amendments to the contract for the site survey works, Asset has joined RPS as a third party to the proceedings. It is anticipated that the claim will be heard before the Western Australian courts early 2013.

The claim is being vigorously defended by Asset and a counterclaim for the cost of drilling the New Seaclem -1 well has been lodged.

### 27. Commitments

Capital Commitments

In order to maintain an interest in the exploration tenements in which the Company is involved, the Company is committed to meet the conditions under which the tenements were granted.

Capital expenditure forecasted for at the reporting date but not recognised as liabilities as follows:

	Consolidated	
	2012 \$	2011 \$
Work Program Commitments - Exploration permits		
Payable:		
Within one year	418,979	1,000,000
Greater than one year less than five years	20,522,500	2,800,000
Total	20,941,479	3,800,000

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

## 28. Investments accounted for using the equity method

	30 June 2012 \$	30 June 2011 \$
Shares in Associates	-	9,673,230

### (a) Shares in associates

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting.

Name of Entity	Nature of Operations	Country of Incorporation	Ownership Interest %	
			30 June 12	30 Jun 11
BPH Energy Ltd	Alternative Investments Company	Australia	8.33%	26.85%

During the period MEC Resources participated in a selective share buyback with BPH. BPH agreed to buy back up to \$1.35 million of the Company's shareholding in BPH. The number of buy-back Shares was determined by dividing the total Consideration by the 5-day volume weighted average closing price of Shares prior to the date of the buy-back. A total of 48,548,387 shares was sold back to BPH on the 16 September 2011 after BPH shareholder approval was attained. As a result of this transaction BPH is no longer considered an associate of MEC and MEC now holds 8.33% of BPH. The investment is now held as a financial asset accounted for as fair value through the profit and loss.

### Reconciliation of Movement

	\$	
Proceeds from disposal	1,350,000	
Plus: fair value of investment retained	459,715	
Less: Carrying amount of investment at date of disposal	(9,639,240)	
Loss recognised on disposal	<u>7,829,525</u>	
	2012	2011
	\$	\$

## 29. Parent Entity Disclosures

### Financial Position

#### Assets

Current assets	7,203,869	6,453,213
Non-current assets	3,679,230	13,104,630
Total asset	<u>10,883,099</u>	<u>19,557,843</u>
	2012	2011

# Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

	\$	\$
<b>Liabilities</b>		
Current liabilities	178,926	179,937
Non-current liabilities	-	-
Total liabilities	<u>178,926</u>	<u>179,937</u>
<b>Equity</b>		
Issued Capital	24,922,466	24,920,661
Retained earnings	(14,603,485)	(5,805,445)
<u>Reserves</u>		
Option Reserve	385,192	262,690
Total equity	<u>10,704,173</u>	<u>19,377,906</u>

## Financial Performance

Profit/Loss for the year	(8,798,040)	(837,229)
Other comprehensive income	-	-
Total comprehensive income	<u>(8,798,040)</u>	<u>(837,229)</u>

## 30. Adoption of New and Revised Accounting Standards

### 30.1 Standards and Interpretations adopted in the current year

The Company has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board that are relevant to their operations and are effective for the current financial reporting period beginning 1 July 2011.

The following new and revised Standards and Interpretations have been adopted in the current period:

- AASB 124 'Related Party Disclosures' (revised December 2009) and AASB 2009-12 'Amendments to Australian Accounting Standards'
- AASB 2010-4 'Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project'
- AASB 2010-5 'Amendments to Australian Accounting Standards'

## Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

- AASB 2010-6 'Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets'

The impact of the adoption of these Standards and Interpretation did not have a material impact on the Company.

### 30.2 Standards and Interpretations in issue not yet adopted

At the date of authorisation of the financial statements, following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the Company for the year ended 30 June 2012:

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 9 'Financial Instruments' (December 2009), AASB 2009- 11 'Amendments to Australian Accounting Standards arising from AASB 9' AASB 9 'Financial Instruments' (December 2010) and AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)'	1 January 2013	30 June 2014
AASB 10 'Consolidated Financial Statements'	1 January 2013	30 June 2014
AASB 11 'Joint Arrangements'	1 January 2013	30 June 2014
AASB 12 'Disclosure of Interests in Other Entities'	1 January 2013	30 June 2014
AASB 127 'Separate Financial Statements' (2011)	1 January 2013	30 June 2014
AASB 128 'Investments in Associates and Joint Ventures' (2011)	1 January 2013	30 June 2014
AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13'	1 January 2013	30 June 2014
AASB 119 'Employee Benefits' (2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)'	1 January 2013	30 June 2014
AASB 2010-8 'Amendments to Australian Accounting Standards – Deferred Tax: Recovery of Underlying Assets'	1 January 2012	30 June 2013
AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements'	1 July 2013	30 June 2014
AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards'	1 January 2013	30 June 2014
AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income'	1 July 2012	30 June 2013

## Notes to the Financial Statements for the year ended 30 June 2012

MEC Resources Ltd and its controlled subsidiaries

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 7)'	1 January 2013	30 June 2014
AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities (Amendments to AASB 132)'	1 January 2014	30 June 2015
AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009–2011 Cycle	1 January 2013	30 June 2014

At the date of authorisation of the financial statements the following IASB Standards and IFRIC Interpretations were also in issue but not yet effective, although Australian equivalent Standards and interpretations have not yet been issued and have not been adopted by the Company for the year ended 30 June 2012.

Standard/Interpretation	Effective for annual reporting periods beginning on or after	Expected to be initially applied in the financial year ending
Mandatory Effective Date of IFRS 9 and Transition Disclosures (Amendments to IFRS 9 and IFRS 7)	1 January 2015	30 June 2016
Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12)	1 January 2013	30 June 2014

The impact of these recently issued or amended standards and interpretations have not been determined as yet by the Company.

# Directors Declaration

MEC Resources Ltd and its controlled subsidiaries

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The directors of the company declare that:

1. the financial statements and notes, as set out on pages 22 to 61, 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 2012 and of the performance for the year ended on that date of the consolidated entity;
2. the Financial Statements and Notes comply with International Accounting Standards as disclosed in Note 1;
3. the directors have been given the declarations required by S295A of the Corporations Act 2001
4. 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.

Signed in accordance with a resolution of the directors made pursuant to S295(5) of the Corporations Act 2001.

Director



.....  
David Breeze  
Executive Director

Dated this 30th Day of August 2011

# Independent Auditor's Report to the members of MEC Resources Ltd

## Report on the Financial Report

We have audited the accompanying financial report of MEC Resources Ltd, which comprises the statement of financial position as at 30 June 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity, comprising the company and the entities it controlled at the year's end or from time to time during the financial year as set out on pages 22 to 62.

### *Directors' Responsibility for the Financial Report*

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the consolidated financial statements comply with International Financial Reporting Standards.

### *Auditor's Responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 judgement, 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 company's preparation of the financial report that gives a true and fair view, 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 company'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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Auditor's Independence Declaration*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of MEC Resources Ltd, would be in the same terms if given to the directors as at the time of this auditor's report.

## *Opinion*

In our opinion:

- (a) the financial report of MEC Resources Ltd is in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- (b) the consolidated financial statements also comply with International Financial Reporting Standards as disclosed in Note 1.

## **Report on the Remuneration Report**

We have audited the Remuneration Report included in pages 5 to 9 of the directors' report for the year ended 30 June 2012. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

## *Opinion*

In our opinion the Remuneration Report of MEC Resources Ltd for the year ended 30 June 2012, complies with section 300A of the *Corporations Act 2001*.



DELOITTE TOUCHE TOHMATSU



**Chris Nicoloff**  
Partner  
Chartered Accountants  
Perth, 30 August 2012

# Additional Securities Exchange Information

MEC Resources Ltd and its controlled subsidiaries

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this report as follows. The information is made up to 14<sup>th</sup> August 2012.

## 1. Substantial Shareholder

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

Shareholder	Shares	%
David Breeze	13,183,654	8.46

## 2. Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	498	224,062	0.14
1,001 – 5,000	566	1,718,662	1.10
5,001 – 10,000	590	5,173,508	3.32
10,001 – 100,000	1362	47,029,571	30.18
100,001 and over	228	101,667,347	65.26
	3244	155,813,150	100.00

## 3. (a) Distribution of Listed Optionholders

Range of Holding	Optionholders	Number Ordinary Shares	%
1 – 1,000	23	11,520	0.02
1,001 – 5,000	39	100,880	0.21
5,001 – 10,000	34	258,846	0.53
10,001 – 100,000	303	11,323,358	23.13
100,001 and over	64	37,259,966	76.11
	463	48,954,570	100.00

## 3. (b) Distribution of Unlisted Optionholders

Range of Holding	Optionholders	Number of Options	%
MEC Resources			
10,001 to 100,000	5	445,000	0.1
100,001 and over	7	4,050,000	99.9
	12	4,495,000	100.00

## Additional Securities Exchange Information

MEC Resources Ltd and its controlled subsidiaries

Range of Holding	Optionholders	Number of Options	%
Advent Energy			
100,001 and over	4	7,500,000	100.00
	4	7,500,000	100.00

### 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

<b>Shares</b> - Number of Shares free of escrow	155,813,150
	<b>Total Shares</b>
	<u>155,813,150</u>
<b>Options</b>	
Number of options not subject to Escrow (Listed)	48,954,570
Number of Employee options not subject to Escrow (Not Listed)	3,111,667
	<b>Total Options</b>
	<u>52,066,237</u>

### 7. Tenements and Interests Held

Permit Details	Interest Held	Entity
Petroleum Exploration Permit 386	100%	Advent Energy
Petroleum Exploration Permit 11	85%	Advent Energy
Petroleum Exploration Permit 325	8.3%	Advent Energy
Retention Lease 1	100%	Advent Energy

## Additional Securities Exchange Information

MEC Resources Ltd and its controlled subsidiaries

### 8. Twenty Largest Shareholders (as at 14 August 2012)

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	9,747,362	6.26
Healy Robert Anthony	9,229,608	5.92
Breeze David	6,234,438	4.00
Citicorp Nom PL	5,949,540	3.82
Merrill Lynch Aust Nom PL	5,527,519	3.55
Trandcorp PL	3,849,216	2.47
Trandcorp PL	3,100,000	1.99
Lim Chin Tong	3,005,162	1.93
Pado John Thomas	2,485,569	1.60
Ming Ding Gui	2,000,000	1.28
HSBC Custody NOM Aust Ltd	1,864,375	1.20
Protax Nom PL	1,000,000	0.64
Birch Lawrence M and JF	892,373	0.57
Websdale Antony Brian	850,000	0.55
Avco PL	812,375	0.52
Edward YI Financial Services	694,000	0.45
Ware Colin Victor	690,000	0.44
Avatar Energy PL	687,500	0.44
Moore Rhonda Kate	666,667	0.43
Mathieson Catherine Anne	600,000	0.39
	<b>59,885,704</b>	<b>38.45</b>

## Additional Securities Exchange Information

MEC Resources Ltd and its controlled subsidiaries

### 9. Twenty Largest Listed Option Holders (as at 14 August 2012)

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

Name	Number of listed options	% held of issued ordinary capital
Grandbridge Ltd	7,310,522	14.93
Trandcorp PL	5,773,824	11.79
Merrill Lynch Aust Nom PL	4,725,144	9.65
Healy Robert Anthony	3,545,000	7.24
Citicorp Nom PL	3,000,000	6.13
Lim Chin Tong	1,892,903	3.87
Breeze David	1,759,404	3.59
Jacobs Corp PL	800,000	1.63
Sykes Frederick and J	500,000	1.02
David E Perks and Assoc PL	500,000	1.02
Basser Braham M and MD	350,000	0.71
Sargent Ian	287,436	0.59
Lee Patricia	273,375	0.56
Scanlon Damian	242,250	0.49
Chin Peter K and A C M	225,000	0.46
Gutierrez Joe	208,483	0.43
Coyler Simon James	200,500	0.41
O'Gorman Richard	192,380	0.39
Borthwick Bruce and SP	180,000	0.37
Fixed Interest Data PL LE	176,250	0.36
	<b>32,142,471</b>	<b>65.64</b>