

Appendix 4D -Half year report

Results for announcement to the market

Name of Entity	MEC Resources Limited
ABN	44 113 900 020
Half Year Ended	31 December 2014
Previous Corresponding Reporting Period	31 December 2013

\$A'000

Revenues from ordinary activities	down	61%	to	15
(Loss) from ordinary activities after tax attributable to members	up	94%	to	(1,292)
Net (loss) for the period attributable to members	up	94%	to	(1,292)
Dividends (distributions)	Amount per security	Franked amount per security		
Final dividend	Nil	Nil		
Interim dividend				
Previous corresponding period	N/A	N/A		

Please refer to attached accounts for commentary on the results

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
Loss before tax / revenue Consolidated (loss) from ordinary activities before tax as a percentage of revenue	(8,854.05)%	(1772.26)%
Loss after tax / equity interests Consolidated net (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(5.19)%	(2.67)%

NTA Backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	18.9 cps	21.1 cps

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The operating loss for the consolidated entity after tax for the half- year ended 31 December 2014 was \$2,347,230 (2013: \$934,378).

The net assets of the consolidated entity have decreased by \$2,345,934 to \$29,454,890 at 31 December 2014.

Developments during the year included:

Advent Energy Ltd

- During the period, Advent Energy's wholly owned subsidiary, Asset Energy Pty Ltd (**Asset**), received a 12 month suspension of its PEP11 permit year 2 work program of a 200 km 2D seismic survey and geotechnical studies.
- Asset commenced preparation of an Environment Plan for approval by National Offshore Petroleum Safety and Environmental Management Authority prior to undertaking the seismic acquisition in the PEP11 permit, offshore NSW.
- Advent Energy continued with commercial discussions, planning and engineering evaluation for development of its conventional gas resources in EP386 and RL1, onshore Bonaparte Basin

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Company Information

Directors

H Goh – Non-Executive Chairman
D L Breeze – Executive Director
K O Yap – Non-Executive Director
D Ambrosini – Executive Director

Company Secretary

Deborah Ambrosini

Registered Office

14 View Street
NORTH PERTH WA 6006

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Telephone: (08) 9328 8400
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Auditor

Nexia Perth Audit Services Pty Ltd
Level 3, 88 William Street
PERTH WA 6000

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Australian Stock Exchange Listing

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

Australian Business Number

44 113 900 020

Directors' Report (continued)

MEC Resources Ltd and its controlled entities

The directors of MEC Resources Ltd ("**MEC Resources**") submit herewith the financial report for the half year ended 31 December 2014. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the period are:

H Goh
D L Breeze
K O Yap
D Ambrosini

Review of Operations

Operating loss for the entity after tax for the half-year ended 31 December 2014 was \$2,347,230 (2013: \$934,378).

Advent Energy Ltd

- During the period, Advent Energy's wholly owned subsidiary, Asset Energy Pty Ltd (**Asset**), received a 12 month suspension of its PEP11 permit year 2 work program of a 200 km 2D seismic survey and geotechnical studies.
- Asset commenced preparation of an Environment Plan for approval by National Offshore Petroleum Safety and Environmental Management Authority prior to undertaking the seismic acquisition in the PEP11 permit, offshore NSW.
- Advent Energy continued with commercial discussions, planning and engineering evaluation for development of its conventional gas resources in EP386 and RL1, onshore Bonaparte Basin

Subsequent Events

Other than referred to in note 9 of these financial accounts there have not been any matters or circumstance that have arisen since the end of the period that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

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.

Directors' Report (continued)

MEC Resources Ltd and its controlled entities

Auditor's Independence

The directors received a declaration of independence from the auditor. This is included in the financial report on page 3.

Signed in accordance with a resolution of the directors made pursuant to s306(3) of the *Corporations Act 2001*.

On behalf of the Directors

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

D L Breeze
Executive Director
PERTH, 24 February 2015

Auditor's independence declaration under section 307C of the Corporations Act 2001

To the directors of MEC Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2014, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

Perth, 24 February 2015

Directors' Declaration

MEC Resources Ltd and its controlled entities

The directors declare that:

- (a) 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; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

Signed in accordance with a resolution of the directors made pursuant to s.303(5) of the *Corporations Act 2001*.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'D L Breeze', with a stylized flourish at the end.

D L Breeze
Executive Director
PERTH, 24 February 2015

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2014

MEC Resources Ltd and its controlled entities

		Consolidated	
	Note	31 December 2014 \$	31 December 2013 \$
Revenue			
Revenue from ordinary activities	4	14,602	37,594
Other gains/(losses)	4	(1,509,722)	(29,056)
Administration expenses		(114,385)	(126,600)
Consulting and legal expenses		(173,698)	(168,921)
Management services expense		(182,193)	(182,193)
Employee Benefits expense		(236,569)	(263,542)
Interest expense		(1,465)	(23,955)
Insurance expenditure		(16,246)	(18,575)
Other expenses		(75,639)	(100,757)
Traveling expense		(51,915)	(58,373)
Loss before income tax		(2,347,230)	(934,378)
Income tax expense		-	-
Loss from continuing operations		(2,347,230)	(934,378)
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		(2,347,230)	(934,378)
Loss attributable to non-controlling interest		(1,054,361)	(268,113)
Loss attributable to members of the parent entity		(1,292,869)	(666,265)
Total Comprehensive Loss attributable to non-controlling interest		(1,054,361)	(268,113)
Total Comprehensive Loss attributable to parent		(1,292,869)	(666,265)
Earnings Per Share -			
Basic and Diluted (cents per share)		(0.83)	(0.42)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position as at 31 December 2014

MEC Resources Ltd and its controlled entities

	Note	Consolidated	
		31 December 2014	30 June 2014
		\$	\$
Current Assets			
Cash and cash equivalents	5	1,045,589	1,623,636
Trade receivables		128,175	237,780
Financial assets	10	-	44,867
Other current assets		24,815	29,486
Total Current Assets		1,198,579	1,935,769
Non-Current Assets			
Other non-current assets		22,673	22,673
Evaluation and exploration costs	11	29,084,630	30,405,290
Financial Assets	10	440,340	584,839
Property, plant & equipment		3,940	6,033
Total Non-Current Assets		29,551,583	31,018,835
Total Assets		30,750,162	32,954,604
Current Liabilities			
Trade and other payables		537,617	460,021
Financial Liabilities	12	655,815	594,527
Short-term provisions		84,295	88,125
Total Current Liabilities		1,277,727	1,142,673
Non-Current Liabilities			
Provisions		17,545	11,107
Total Non-Current Liabilities		17,545	11,107
Total Liabilities		1,295,272	1,153,780
Net Assets		29,454,890	31,800,824
Equity			
Issued capital	6	24,924,466	24,924,466
Option Reserve		521,377	520,081
Accumulated losses		(24,365,187)	(23,072,318)
Total Equity Attributable to Owners		1,080,656	2,372,229
Non-controlling Interest		28,374,234	29,428,595
Total Equity		29,454,890	31,800,824

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity for the half year ended 31 December 2014

MEC Resources Ltd and its controlled entities

Consolidated	Ordinary Share Capital \$	Accumulated losses \$	Options \$	Total attributable to owners \$	Non- Controlling Interest \$	Total Equity \$
Balance at 1 July 2013	24,922,466	(21,701,133)	493,767	3,715,100	29,973,934	33,689,034
Loss attributable to members of the consolidated entity	-	(666,265)	-	(666,265)	(268,113)	(934,378)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(666,265)	-	(666,265)	(268,113)	(934,378)
Shares issued on exercise of options	2,000	-	-	2,000	-	2,000
Options issued during the financial period	-	-	13,258	13,258	7,434	20,692
Balance at the half year ended 31 December 2013	24,924,466	(22,367,398)	507,025	3,064,093	29,713,255	32,777,348
Balance at 1 July 2014	24,924,466	(23,072,318)	520,081	2,372,229	29,428,595	31,800,824
Loss attributable to members of the consolidated entity	-	(1,292,869)	-	(1,292,869)	(1,054,361)	(2,347,230)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(1,292,869)	-	(1,292,869)	(1,054,361)	(2,347,230)
Share based payments	-	-	1,296	1,296	-	1,296
Balance at the half year ended 31 December 2014	24,924,466	(24,365,187)	521,377	1,080,656	28,374,234	29,454,890

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows for the half year ended 31 December 2014

MEC Resources Ltd and its controlled entities

		Consolidated	
	Note	31 December 2014 \$	31 December 2013 \$
Cash Flows From Operating Activities			
Payments to suppliers and employees		(472,649)	(1,764,091)
Interest received		14,602	37,589
Net cash used in operating activities		(458,047)	(1,726,502)
Cash Flows From Investing Activities			
Payment for Property, Plant and Equipment		-	(1,225)
Repayment of loans to other entities		(120,000)	(25,000)
Deferred exploration costs		-	(166,461)
Net cash used in investing activities		(120,000)	(192,686)
<i>Net decrease in Cash Held</i>		(578,047)	(1,919,188)
<i>Cash At the Beginning Of The Period</i>		1,623,636	4,207,474
Cash At The End Of The Period	5	1,045,589	2,288,286

The accompanying notes form part of these financial statements

1. CORPORATE INFORMATION

The financial report of MEC Resources Ltd (the company) and its controlled entities for the half-year ended 31 December 2014 was authorised for issue in accordance with a resolution of the directors on 24 February 2015.

MEC Resources Ltd is a company incorporated in Australia and limited by shares which are publicly traded on the Australian Securities Exchange.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

The half-year financial report is a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34 Interim Financial Reporting.

The half-year financial report does not include all of the notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The half-year financial report should be read in conjunction with the Annual Financial Report of MEC Resources Ltd as at 30 June 2014.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

It is also recommended that the half-year financial report be considered together with any public announcements made by MEC Resources Ltd and its controlled entities during the half-year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX Listing Rules.

(a) Basis of Preparation

Reporting Basis and Conventions

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

(b) Significant Accounting Policies

The half-year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2014, except for the impact of the standards interpretations below in Note 2(c). The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Standards

Amendments to AASBs and the new Interpretation that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current half-year.

New and revised Standards and amendments thereof and Interpretations effective for the current half-year that are relevant to the Group include:

- AASB 1031 'Materiality' (2013)
- AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'
- AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'
- AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'
- AASB 2014-1 'Amendments to Australian Accounting Standards'
- Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycles'
- Part C: 'Materiality'

Impact of the application of AASB 1031 'Materiality' (2013)

The revised AASB 1031 is an interim standard that cross-references to other Standards and the Framework for the Preparation and Presentation of Financial Statements (issued December 2013) that contain guidance on materiality. The AASB is progressively removing references to AASB 1031 in all Standards and Interpretations, and once all these references have been removed, AASB 1031 will be withdrawn. The adoption of AASB 1031 does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2013-5 'Amendments to Australian Accounting Standards – Investment Entities'

The Group has applied the amendments to AASB 10, AASB 12 and AASB 127 for the first time in the current year. The amendments to AASB 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to AASB 12 and AASB 127 to introduce new disclosure requirements for investment entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

As the Company is not an investment entity (assessed based on the criteria set out in AASB 10 as at 1 January 2014), the application of the amendments does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2012-3 'Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities'

The Group has applied the amendments to AASB 132 for the first time in the current year. The amendments to AASB 132 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments have been applied retrospectively. The Group has assessed whether certain of its financial assets and financial liabilities qualify for offset based on the criteria set out in the amendments and concluded that the application of the amendments does not have any material impact on the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2013-3 'Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets'

The Group has applied the amendments to AASB 136 for the first time in the current year. The amendments to AASB 136 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by AASB 13 'Fair Value Measurements'.

The application of these amendments does not have any material impact on the disclosures in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2013-9 'Amendments to Australian Accounting Standards' – Part B: 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete references to AASB 1031, at the same time it makes various editorial corrections to Australian Accounting Standards as well. The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Impact of the application of AASB 2014-1 'Amendments to Australian Accounting Standards'

Part A: 'Annual Improvements 2010-2012 and 2011-2013 Cycle'

The Annual Improvements 2010-2012 Cycle include a number of amendments to various AASBs, which are summarised below.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendments to AASB 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to AASB 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.

The amendments to AASB 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of AASB 9 or AASB 139 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to AASB 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.

The amendments to AASB 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

The amendments to the basis for conclusions of AASB 13 clarify that the issue of AASB 13 and consequential amendments to AASB 139 and AASB 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.

The amendments to AASB 116 and AASB 138 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.

The amendments to AASB 124 clarify that a management entity providing key management personnel services to a reporting entity is a related party of the reporting entity. Consequently, the reporting entity should disclose as related party transactions the amounts incurred for the service paid or payable to the management entity for the provision of key management personnel services. However, disclosure of the components of such compensation is not required.

The 'Annual Improvements 2011-2013 Cycle' include a number of amendments to various AASBs, which are summarised below.

The amendments to AASB 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to AASB 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, AASB 139 or AASB 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within AASB 132.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The amendments to AASB 140 clarify that AASB 140 and AASB 3 are not mutually exclusive and application of both standards may be required. Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of AASB 140; and
- (b) the transaction meets the definition of a business combination under AASB 3.

Part C – 'Materiality'

This amending standard makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031, which historically has been referenced in each Australian Accounting Standard.

The adoption of amending standard does not have any material impact on the disclosures or the amounts recognised in the Group's condensed consolidated financial statements.

Note that AASB 14 'Regulatory Deferral Accounts' and AASB 2014-1 'Amendments to Australian Accounting Standards – Part D: 'Consequential Amendments arising from AASB 14' is not applicable to the Group as the Group is not a first-time adopter of Australian Accounting Standards.

(d) Financial Position

The consolidated entity has incurred losses for the year ended 31 December 2014 of \$2,347,230 (2013: \$934,378). The consolidated entity has cash assets of \$1,045,589 as at 31 December 2014 (30 June 2014: \$1,623,636).

The directors have reviewed the non-exploration expenditure and commitments for the consolidated entity. The directors as a part of their cash monitoring, may voluntarily suspended cash payments for their director's fees to conserve cash resources for a period of at least 12 months from the date of the approval of the financial report.

Further the Group has received confirmation that \$612,522 of the current financial liabilities from a related entity will not be called for a period of 12 months from the date of this report.

On 29 January 2015 MEC Resources announced that it would undertake a Shareholder Purchase Plan (SPP). Proceeds raised through the Plan would be used to contribute to the continuing exploration and development of investee company Advent Energy Ltd's assets, including a partial contribution to the up and coming seismic activities at the offshore Sydney Basin Petroleum Exploration Permit 11 (PEP 11) which is planned for 2nd quarter 2015, drilling of a further exploration well in Exploration Permit 386 (EP 386), working capital and to meet the Company's anticipated expenses of the issue estimated at \$20,000.

Under the SPP, eligible shareholders can purchase shares at a 20% discount to the average market price of the Company's shares on the ASX calculated over the five trading days prior to and including the Record Date.

The offer is limited to a minimum of \$500 and a maximum of \$15,000 worth of shares per shareholder. The offer is strictly limited to a maximum of 30% of the existing share capital and applications will be accepted on a first received basis.

The offer closed on 20th February 2015 with a 57.78% take up. A total of \$605,000 was raised from the SPP.

The directors have prepared cash flow forecasts that indicate that the consolidated entity will have sufficient cash flows to meet its non-exploration commitments for a period of at least 12 months from the date of this report.

Based on the cash flow forecasts, the funds raised from the share purchase plan and the monitoring of operational costs, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

For further disclosure concerning the exploration permits and expenditure commitments of the Group and the ability of the Group to realise the associated capitalised exploration expenditure please refer to Note 11.

3. SEGMENT INFORMATION

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. Discrete financial information about each of these operating segments 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 projects PEP 11 and EP 386/RL1.

The group operates predominantly in one segment, namely investments in 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 1 to the accounts and in the prior period.

4. REVENUE, INCOME AND EXPENSES

	Consolidated	
	31 December 2014 \$	31 December 2013 \$
Revenue		
Interest revenue : other entities	14,602	37,594
	14,602	37,594
Other gains and losses		
Net loss on financial assets designated as fair value through profit and loss	(289,366)	(29,056)
Loss on exploration assets	(1,220,356)	-
	(1,509,722)	(29,056)

5. CASH AND CASH EQUIVALENTS

For the purpose of the half-year condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:

Cash at bank and in hand

Consolidated	
31 December 2014 \$	30 June 2014 \$
1,045,589	1,623,636
1,045,589	1,623,636

6. CONTRIBUTED EQUITY

Ordinary shares (i)
Less :Capital Raising Costs

Consolidated	
31 December 2014 \$	30 June 2014 \$
25,954,615	25,954,615
(1,030,149)	(1,030,149)
24,924,466	24,924,466

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

Movement in ordinary shares on issue
As at 1 July 2014
Conversion of options
Balance as at 31 December 2014

Number	\$
155,823,150	24,924,466
-	-
155,823,150	24,924,466

7. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

8. COMMITMENTS

Capital Commitments

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

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

	Consolidated	
	31 December 2014	30 June 2014
	\$	\$
Work Program Commitments – Exploration permits		
Payable:		
Within one year	4,313,500	3,997,500
Greater than one year less than five years	16,375,000	16,525,000
Total	20,688,500	20,522,500

9. EVENTS AFTER THE BALANCE DATE

On 23 January 2015 MEC Resources Ltd announced that it would undertake a Shareholder Purchase Plan (SPP). Proceeds raised through the SPP will principally be used to partially contribute to the continuing exploration and development of investee company Advent Energy Ltd's assets, including a contribution to the up and coming seismic activities at the offshore Sydney Basin Petroleum Exploration Permit 11 (PEP 11) which are planned for 2nd quarter 2015, drilling of a further exploration well in Exploration Permit 386 (EP 386), working capital and to meet the Company's expenses of the issue (estimated at \$20,000).

Under the SPP, eligible shareholders can purchase shares at a 20% discount to the average market price of the Company's shares on the ASX calculated over the five trading days prior to and including the Record Date.

The offer is limited to a minimum of \$500 and a maximum of \$15,000 worth of shares per shareholder. The offer is strictly limited to a maximum of 30% of the existing share capital and applications will be accepted on a first received basis.

The offer closed on 20th February 2015 with a 57.78% take up. A total of \$605,000 was raised from the SPP.

On the 10th February 2015 MEC investee Advent Energy announced that the National Offshore Petroleum Titles Administrator (NOPTA) had approved a suspension of the PEP11 Year 2 work program of a 200 km 2D seismic survey and geotechnical studies until 12th August 2015.

	Consolidated	
	31 December 2014 \$	30 June 2014 \$
10. FINANCIAL ASSETS		
Current		
Loan receivable – Grandbridge Limited	-	44,867
Total	-	44,867
Non-current		
Loan receivable – BPH Energy Ltd	100,000	-
Loan receivable – Grandbridge Limited	44,867	-
Fair Value through Profit and Loss financial assets (a)		
Investment in Central Petroleum Ltd	125,000	400,000
Investment in BPH Energy Ltd	100,562	114,927
Available for sale financial assets (a)		
Investment in Molecular Discovery Systems Ltd	69,911	69,911
	440,340	584,839

Fair Value of Financial Assets

The methods and valuation techniques used for the purpose of measuring fair value of the company's financial assets are unchanged compared to the previous reporting period.

The levels of the hierarchy are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: 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: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

- (a) For financial instruments that are measured at fair value on a recurring basis, Level 1 and Level 3 applies to the company's non-current Fair Value through Profit and Loss financial assets and available for sale financial assets, respectively.

11. CAPITALISED EXPLORATION COSTS

	Consolidated	
	31 December 2014 \$	30 June 2014 \$
Exploration expenditure capitalised		
Exploration and evaluation phases	29,084,630	30,405,290
	29,084,630	30,405,290
Reconciliation of movement during the year		
Opening balance at 1 July	30,405,290	30,337,044
Capitalised expenditure – EP 325	248	3,154
Capitalised expenditure – PEP 11	(1,324,393)	-
Capitalised expenditure – EP 386	3,485	65,092
Closing balance	29,084,630	30,405,290

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

Exploration costs amounting to \$nil (2013:\$166,461) have been included in cash flows from investing activities in the statement of cash flows.

The consolidated group has commitments for its exploration permits of \$4,313,500 over the next 12 months. To assist in meeting these commitments the group is continually seeking and reviewing potential sources of both equity and debt funding. Advent is currently in negotiations with a number of parties on the terms of investment, however there is no certainty at this stage that those discussions will result in further funding being made available.

Advent Energy's wholly owned subsidiary, Asset Energy, is currently required to complete 200km of 2D seismic within the PEP 11 area by 12 August 2015.

In addition, Advent Energy's subsidiary Onshore Energy is committed to drill an exploration well by 31 March 2015 for EP 386. Onshore Energy has lodged an application with the Department of Mines and Petroleum to suspend the year 2 work commitment for EP 386.

These 2 commitments comprise the significant balance of \$4,313,500. While management is confident the commitments under the exploration permits or as varied by the relevant authorities will be met, the above conditions indicate a material uncertainty that may affect the ability of the group to meet its exploration commitments under its licence conditions. As such the carrying value of the exploration assets may not be realised in the ordinary course of business.

12. FINANCIAL LIABILITIES

	Consolidated	
	31 December 2014 \$	30 June 2014 \$
Loans payable		
Loan from BPH Energy Limited (i)	41,935	41,935
Loan from Grandbridge Limited (i)	612,522	551,234
Loans from other entities (i)	1,358	1,358
	655,815	594,527

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

Independent Auditor's Review Report to the members of MEC Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MEC Resources Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2014, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MEC Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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 Limited, would be in the same terms if given to the directors as at the time of this report.

Nexia Perth Audit Services Pty Ltd

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of MEC Resources Limited and its controlled entities is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of Matter

We draw attention to Note 11 to the financial statements which describes the material uncertainty around the basis of continuing to recognise the carrying value of exploration and evaluation assets. Our conclusion is not modified in respect of this matter

A handwritten signature in blue ink that reads "NPAS".

Nexia Perth Audit Services Pty Ltd

A handwritten signature in blue ink that reads "Amar Nathwani".

Amar Nathwani
Director

Perth 24 February 2015