
MEC RESOURCES LTD

ACN 113 900 020

Appendix 4D
Half Year Financial Report
For the half year ended 31 December 2008

Contents

MEC Resources Ltd and its controlled entities

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Company Information

Directors

H Goh – Non-Executive Chairman
SK Yap – Non-Executive Director
D L Breeze – Executive Director
K O Yap – Non-Executive Director
C T Lim – Non-Executive Director

Auditor

PKF
BGC Centre
Level 7,
28 The Esplanade
PERTH WA 6000

Registered Office

14 View Street
NORTH PERTH WA 6006

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Principal Business Address

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

MEC Resources Ltd and its controlled entities

The directors of MEC Resources Ltd submit herewith the financial report for the half year ended 31 December 2008. 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

S K Yap

D L Breeze

K O Yap

C T Lim

Review of Operations

- Operating loss for the entity after tax for the half-year ended 31 December 2008 was \$2,603,318 (2007: \$353,550).
- MEC Resources Ltd and its investee company Advent Energy Limited have both incurred substantial unrealized losses on their listed investments in the current financial period. Included in the profit and loss for this period is an amount of \$1.5M representing unrealized losses to the Group.
- MEC Resources Ltd investee Advent Energy Ltd has successfully secured a conditional funding agreement that will provide a significant capital raising totalling A\$7 million by the issue of 14 million shares at 50 cents per share.
- Pep11 – New large structures were mapped and estimated prospective resources of up to 16.3 Trillion cubic feet (Tcf of gas) for the permit were calculated. Geophysical evidence for gas seepage was revealed, and inshore seeping hydrocarbon gas was sampled and analysed to contain methane of thermogenic and biogenic origin.

Subsequent Events

Other than referred in note 8 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 s.306 (3) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read "D L Breeze". The signature is stylized with a large, sweeping initial "D" and "B".

D L Breeze
Executive Director
PERTH, 24 February 2009

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of MEC Resources Limited for the half year ended 31 December 2008, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- (b) no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of MEC Resources Limited and the entities it controlled during the half-year.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth, Western Australia this 24th day of February 2009

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Directors' Declaration

MEC Resources Ltd and its controlled entities

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 5 to 13:
 - a) Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations; and
 - b) give a true and fair view of the economic entity's financial position as at 31 December 2008 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

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 2009

Consolidated Income Statement

for the half year ended 31 December 2008

MEC Resources Ltd and its controlled entities

| | Note | 31 December 2008 \$ | 31 December 2007 \$ |
|--|------|------------------------|------------------------|
| Revenue from ordinary activities | 4 | 76,846 | 342,854 |
| Unrealised loss on revaluation of shares component | 4 | (1,529,203) | - |
| Administration expenses | | (121,558) | (99,106) |
| Consulting and legal expenses | | (262,070) | (169,523) |
| Management services expense | | (173,520) | (108,000) |
| Employee Benefits expense | | (333,422) | (130,894) |
| Research and Development | | - | (25,000) |
| Insurance expenditure | | (13,688) | (6,149) |
| Other expenses | | (137,292) | (117,218) |
| Prospectus expense | | (4,775) | - |
| Traveling expense | | (104,636) | (40,514) |
| Loss before income tax | | (2,603,318) | (353,550) |
| Income tax expense | | - | - |
| Loss from continuing operations | | (2,603,318) | (353,550) |
| Loss attributable to members of the parent entity | | (2,603,318) | (353,550) |
| <i>Loss attributable to minority equity interest</i> | | 430,426 | - |
| Loss attributable to members of the parent entity | | (2,172,892) | (353,550) |
| Earnings Per Share - | | | |
| Basic and Diluted (cents per share) | | (2.05) | (0.525) |

The accompanying notes form part of these financial statements.

Consolidated Balance Sheet

as at 31 December 2008

MEC Resources Ltd and its controlled entities

| | Note | 31 December 2008 \$ | 30 June 2008 \$ |
|--|------|---------------------------|-----------------------|
| Current Assets | | | |
| Cash and cash equivalents | 5 | 2,344,032 | 1,966,361 |
| Trade and other receivables | | 22,507 | 43,651 |
| Other current assets | | 173,992 | - |
| Total Current Assets | | 2,540,531 | 2,010,012 |
| Non-Current Assets | | | |
| Financial assets | | 1,071,391 | 2,426,609 |
| Capitalised Exploration Costs | | 2,678,098 | 2,671,564 |
| Property, Plant and Equipment | | 5,356 | 6,095 |
| Other non-current assets | | 22,672 | 22,673 |
| Total Non-Current Assets | | 3,777,517 | 5,126,941 |
| Total Assets | | 6,318,048 | 7,136,953 |
| Current Liabilities | | | |
| Trade and other payables | | 148,322 | 290,052 |
| Short-term provisions | | 97,230 | 95,727 |
| Total Current Liabilities | | 245,552 | 385,779 |
| Non - Current Liabilities | | | |
| Financial Liabilities | | 603,307 | 543,064 |
| Total Non - Current Liabilities | | 603,307 | 543,064 |
| Total Liabilities | | 848,859 | 928,843 |
| Net Assets | | 5,469,189 | 6,208,110 |
| Equity | | | |
| Issued Capital | 6 | 8,412,534 | 6,671,278 |
| Option Reserve | | 153,031 | 29,890 |
| Accumulated losses | | (3,493,852) | (1,320,960) |
| Minority Equity Interest | | 397,476 | 827,902 |
| Total Equity | | 5,469,189 | 6,208,110 |

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the half year ended 31 December 2008

MEC Resources Ltd and its controlled entities

| | Ordinary Share Capital \$ | Accumulated losses \$ | Options \$ | Minority Equity Interest \$ | Total \$ |
|---|------------------------------------|-----------------------------|---------------|--------------------------------------|-------------|
| Balance at 30 June 2007 | 4,349,560 | (872,198) | 440,997 | - | 3,918,359 |
| Shares issued during the financial period | 1,517,347 | - | - | - | 1,517,347 |
| Options exercised during the financial period | 140,028 | - | (6,668) | - | 133,360 |
| Options expired at 31 December 2007 | 408,328 | - | (408,328) | - | - |
| Transaction costs | 1,016 | - | - | - | 1,016 |
| Loss attributable to members of the consolidated entity | - | (353,550) | - | - | (353,550) |
| Balance at the half year ended 31 December 2007 | 6,416,279 | (1,225,748) | 26,001 | - | 5,216,532 |
| Balance at 30 June 2008 | 6,671,278 | (1,320,960) | 29,890 | 827,902 | 6,208,110 |
| Shares issued during the financial year | 1,741,256 | - | - | - | 1,741,256 |
| Options exercised during the financial period | - | - | - | - | - |
| Options issued during the financial period | - | - | 123,141 | - | 123,141 |
| Loss attributable to members of the consolidated entity | - | (2,172,892) | - | - | (2,172,892) |
| Minority Equity Interest | - | - | - | (430,426) | (430,426) |
| Balance at the half year ended 31 December 2008 | 8,412,534 | (3,493,852) | 153,031 | 397,476 | 5,469,189 |

The accompanying notes form part of these financial statements.

Consolidated Cash Flow Statement

for the half year ended 31 December 2008

MEC Resources Ltd and its controlled entities

| | Note | 31 December 2008 \$ | 31 December 2007 \$ |
|--|------|---------------------------|---------------------------|
| <i>Cash Flows From Operating Activities</i> | | | |
| Receipts from customers | | - | 70,000 |
| Payments to suppliers and employees | | (1,190,123) | (511,421) |
| Interest received | | 71,389 | 87,060 |
| Net cash used in operating activities | | (1,118,734) | (354,361) |
| <i>Cash Flows From Investing Activities</i> | | | |
| Payment for Property, Plant and Equipment | | (783) | (6,730) |
| Amounts loaned to other entities | | (243,863) | (126,931) |
| Payment for investments | | - | (1,374,364) |
| Net cash used in investing activities | | (244,646) | (1,508,025) |
| <i>Cash Flows From Financing Activities</i> | | | |
| Proceeds from share issue | | 1,741,256 | 1,651,720 |
| Interest and finance costs paid | | (205) | - |
| Net cash provided by financing activities | | 1,741,051 | 1,651,720 |
| <i>Net increase (decrease) in Cash Held</i> | | 377,671 | (210,666) |
| <i>Cash At the Beginning Of The Period</i> | | 1,966,361 | 3,027,592 |
| <i>Cash At The End Of The Period</i> | 5 | 2,344,032 | 2,816,926 |

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the half year ended 31 December 2008

MEC Resources Ltd and its controlled entities

1. CORPORATE INFORMATION

The financial report of MEC Resources Limited (the company) for the half-year ended 31 December 2008 was authorised for issue in accordance with a resolution of the directors on 24 February 2009.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 Limited as at 30 June 2008.

It is also recommended that the half-year financial report be considered together with any public announcements made by MEC Resources Limited and its controlled entities during the half-year ended 31 December 2008 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the Corporations Act 2001, Australian Accounting Standard AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. The half-year financial report has been prepared on a historical cost basis, except where stated.

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

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 consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2008, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2008, as described in Note 2(c).

Notes to the Financial Statements (continued)

for the half year ended 31 December 2008

MEC Resources Ltd and its controlled entities

(c) New standards and Interpretations Not Yet Adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the entity in the period of initial application. They are available for early adoption for financial reporting periods beginning 1 January 2009 but have not been applied in preparing the financial report.

| New or revised requirement | Effective for annual reporting periods beginning/ending on or after | More information | Impact on Group |
|--|---|---|---|
| <p><i>AASB 101 Presentation of Financial Statements (Revised September 2007), AASB 2007-8 Amendments to Australian Accounting Standards & Interpretations and AASB 2007-10 Further Amendments to AASBs arising from AASB 101</i></p> <p>The revised standard affects the presentation of changes in equity and comprehensive income. It does not change the recognition, measurement or disclosure of specific transactions and other events required by other AASB standards.</p> | <p>Beginning 1 January 2009</p> | <p>This will be adopted for the year ended 30 June 2010</p> | <p>This is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures.</p> |
| <p><i>AASB 123 Borrowing Costs (Revised), AASB 2007-6 Amendments to Australian Accounting Standards 1, 101, 107, 111, 116, 138 and Interpretations 1 & 12</i></p> <p>This revision eliminates the option to expense borrowing costs on qualifying assets and requires that they be capitalised. The Amending Standard eliminates reference to the expensing option in various other pronouncements.</p> | <p>Beginning 1 January 2009</p> | <p>This will be adopted for the year ended 30 June 2010</p> | <p>The adoption of this standard will have no impact on the group.</p> |

Notes to the Financial Statements (continued)

for the half year ended 31 December 2008

MEC Resources Ltd and its controlled entities

| New or revised requirement | Effective for annual reporting periods beginning/ending on or after | More information | Impact on Group |
|---|---|--|--|
| <p><i>AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB 2008-3 Amendments to AASBs arising from AASB 3 and AASB 127</i></p> <p>This revision changes the application of acquisition accounting for business combinations and accounting for non-controlling interests. The revised and amended standards incorporate many changes which will have a significant impact on the profit and loss for entities entering into business combinations.</p> | Beginning 1 July 2009 | This will be adopted for the year ended 30 June 2010 | The impact of this standard on the group has not yet been determined. |
| <p><i>AASB 8 Operating Segments, AASB 2007-3 Amendments to Australian Accounting Standards 5, 6, 102, 107, 119, 127, 134, 136, 1023 & 1038 arising from AASB 8</i></p> <p>This standard supersedes AASB 114 Segment Reporting, introducing a US GAAP approach of management reporting as part of the convergence project with FASB.</p> | Beginning 1 January 2009 | This will be adopted for the year ended 30 June 2010 | AASB 8 is a disclosure standard, so will have no direct impact on amounts in the financial report, other than amendments to disclosures. |
| <p><i>AASB 2008-1 Amendments to Australian Accounting Standards: Share-Based Payments: Vesting Conditions and Cancellations</i></p> <p>This clarifies that vesting conditions comprise service conditions and performance conditions only and that other features of a share-based payment transaction are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.</p> | Beginning 1 January 2009 | This will be adopted for the year ended 30 June 2010 | The impact of this standard on the group has not yet been determined. |

Notes to the Financial Statements (continued)

for the half year ended 31 December 2008

MEC Resources Ltd and its controlled entities

| New or revised requirement | Effective for annual reporting periods beginning/ending on or after | More information | Impact on Group |
|--|---|--|---|
| <p><i>AASB 2008-7 Amendments to Australian Accounting Standards – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate</i></p> <p>This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 and AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate.</p> | Beginning 1 January 2009 | This will be adopted for the year ended 30 June 2010 | The impact of this standard on the group has not yet been determined. |
| <p><i>Interpretation 17 Distributions of Non-cash Assets to Owners</i></p> <p>This Interpretation provides guidance on how an entity should measure distributions of assets other than cash when it pays dividends to its owners, except for common control transactions.</p> | Beginning 1 January 2009 | This will be adopted for the year ended 30 June 2010 | The impact of this standard on the group has not yet been determined. |

3. SEGMENT INFORMATION

MEC Resources Ltd operates predominantly in one industry, namely investment in mining and resources. These activities are only within Australia at present.

4. REVENUE, INCOME AND EXPENSES

| | Consolidated | |
|--|---------------------|---------------------|
| | December 2008 \$ | December 2007 \$ |
| Revenue | | |
| Consulting Fees | 5,457 | 70,000 |
| Interest revenue : other entities | 71,389 | 87,058 |
| Total revenue | 76,846 | 157,058 |
| Other income | | |
| Unrealised gains/(losses) on financial investments | (1,529,203) | 185,796 |
| | (1,529,203) | 185,796 |

Notes to the Financial Statements (continued)

for the half year ended 31 December 2008

MEC Resources Ltd and its controlled entities

5. CASH AND CASH EQUIVALENTS

| | Consolidated | |
|---|------------------|------------------|
| | December 2008 | December 2007 |
| | \$ | \$ |
| For the purpose of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following: | | |
| Cash at bank and in hand | 2,344,032 | 2,816,926 |
| | 2,344,032 | 2,816,926 |

6. CONTRIBUTED EQUITY

| | Consolidated | |
|---------------------|------------------|--------------|
| | December 2008 | June 2008 |
| | \$ | \$ |
| Ordinary shares (i) | 8,412,534 | 6,671,278 |
| | 8,412,534 | 6,671,278 |

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

| | Number | \$ |
|--|--------------------|-----------|
| Movement in ordinary shares on issue | | |
| As at 1 June 2008 | 71,072,838 | 6,671,278 |
| Issued 7 August 2008 as part of MEC Resources Limited rights issue | 34,825,125 | 1,741,256 |
| | 105,897,963 | 8,412,534 |

7. Contingent Liabilities

There has been no change in contingent liabilities since the last annual reporting date.

8. Events after the Balance Sheet Date

On 13th February 2009 MEC Resources Limited investee company Advent Energy signed a farm in agreement with Exoma Energy Ltd covering 100% of EP 419.



Chartered Accountants
& Business Advisers

**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, which comprises the condensed balance sheet as at 31 December 2008, and the condensed income statement, condensed statement of changes in equity and condensed cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2008 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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 an Interim 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 company's financial position as at 31 December 2008 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 review of the half-year 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*.

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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 is not in accordance with the *Corporations Act 2001* including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2008 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.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated in Perth, Western Australia, this 24th day of February 2009

Appendix 4D
Half year report

| | |
|---|------------------------|
| MEC Resources Limited | ACN 113 900 020 |
| Half Year ended 31 December 2008 | |

Results for announcement to the market

| \$A'000 | | | | |
|---|----------------------------|------|------------------------------------|---------|
| Revenues from ordinary activities | Down | 77% | to | 77 |
| (Loss) from ordinary activities after tax attributable to members | Up | 514% | to | (2,172) |
| Net (loss) for the period attributable to members | Up | 514% | to | (2,172) |
| Dividends (distributions) | Amount per security | | Franked amount per security | |
| Final dividend | Nil | | Nil | |
| Interim dividend | Nil | | Nil | |
| Previous corresponding period | N/A | | N/A | |

Other notes to the condensed financial statements

| | Current period | Previous corresponding Period |
|--|----------------|-------------------------------|
| Ratios | | |
| Loss before tax / revenue | | |
| Consolidated (loss) from ordinary activities before tax as a percentage of revenue | (3.425)% | (103)% |
| 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 | (25.82)% | (5.51)% |

| | Current period | Previous corresponding Period |
|--|----------------|-------------------------------|
| NTA Backing | | |
| Net tangible asset backing per ordinary security | 2.1cps | 3.9cps |