
MEC RESOURCES LTD

ABN 44 113 900 020

Appendix 4E
Preliminary Final Report
For the year ended 30 June 2010

**Appendix 4E - Preliminary Final Report
MEC Resources Ltd and its controlled subsidiaries
For the Year Ended 30 June 2010**

Financial Year Ended	Year ended 30 June 2010
Previous Corresponding Reporting Period	Year ended 30 June 2009

Results for announcement to the market

\$A'000

Revenues and other income from ordinary activities	Up	186%	to	309
Loss from ordinary activities after tax attributable to members	Down	13%	to	(2,905)
Net loss for the financial year attributable to members	Up	13%	to	(2,905)
Dividends (distributions)		Amount per security		Franked amount per security
Final dividend		nil		nil
Interim dividend				
Previous corresponding period		n/a		n/a

Other notes to the condensed financial statements

	Current period	Previous corresponding Period
Ratios		
Profit before tax / revenue		
Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue	(938.05)%	(3108.33)%
Profit after tax / equity interests		
Consolidated net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(12.14)%	(81.08)%

	Current period	Previous corresponding period
NTA Backing		
Net tangible asset backing per ordinary security	15.90 cps	1.5 cps

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MEC Resources Ltd and its controlled subsidiaries
For the Year Ended 30 June 2010**

	Current period	Previous corresponding period
Statement of Retained Earnings		
Balance at beginning of the year	(4,677,981)	(1,320,960)
Net loss attributable to members of the parent entity	(2,905,010)	(3,357,021)
Total available for appropriation	7,582,991	(4,677,981)
Dividends paid	-	-
Balance at year end	7,582,991	(4,677,981)

**Appendix 4E - Preliminary Final Report
MEC Resources Ltd and its controlled subsidiaries
For the Year Ended 30 June 2010**

Commentary on Results

The operating loss for the consolidated entity after tax for the year ended 30 June 2010 was \$2,905,010 (2009: Loss \$3,357,021).

The net assets of the consolidated entity have increased by \$19,770,749 to \$23,911,679 at 30 June 2010. The increase can be attributed to the capital raising conducted during the year in both MEC and its investee company Advent Energy. The combined total raising was in excess of \$21M and will be used to prepare for the drilling of PEP 11.

Developments during the year included:

- a) During the year MEC's investee company Advent Energy ("Advent") satisfied all of the conditions of the \$7M funding agreement with the Talbot Group. On 9 April 2010 an investment of \$7M was received from Talbot Group Investments.
- b) During the year Advent entered into an exclusive option agreement with BPH Corporate Ltd ("BPH") which gave BPH the opportunity to acquire up to 19.5% of Advent's share capital at 50c per share. On 8 February 2010 BPH invested \$7M into Advent. The second tranche was made on 7 April 2010 with a further investment of \$5.8M being received from BPH.
- c) During the year MEC participated in two placements undertaken by BPH. A combined amount of \$2.8M was invested in BPH giving MEC 11.16% of BPH's share capital.
- d) On 6 April 2010 MEC converted a \$1.5M debt owing to it from Advent Energy into share capital in Advent Energy. The debt was converted at 50c per share and a total of 3 million shares were issued to MEC.
- e) On 15 June 2010 Advent entered into a secured loan agreement with BPH. The principal amount of the loan \$1M with further advances up to an additional \$3M payable at the discretion of the BPH.
- f) On 29 June 2010 MEC entered into a \$4.5M funding agreement with Bob Healy and Associates ("BHA"). Upon receipt of the final payment MEC will issue BHA with 12,857,143 shares at 35c per share.

Statement of Comprehensive Income for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Note	Consolidated	
		2010 \$	2009 \$
Revenue	2	309,685	108,306
Other gains and losses	2	(1,271,070)	(1,591,434)
Other Income	2	1,116,346	-
Administration expenses		(364,868)	(217,650)
Consulting and Legal expenses		(1,860,104)	(801,692)
Depreciation and amortisation expense		(3,518)	(3,040)
Impairment expense		-	(55,611)
Employee expenses		(559,706)	(653,199)
Insurance expenses		(33,587)	(25,350)
Data Centre administration		(17,667)	(31,927)
Service Fees		(347,040)	(347,029)
Travelling expenses		(182,813)	(181,132)
Other expenses		(324,849)	(198,742)
Operating Loss Before Income Tax		(3,538,991)	(3,998,500)
Income tax expense		-	-
Operating Loss from continuing operations		(3,538,991)	(3,998,500)
Other Comprehensive Income		-	-
Total Comprehensive income for the period		(3,538,991)	(3,998,500)
Operating Loss attributable to non-controlling interest		(633,981)	(641,479)
Loss attributable to owners of the company		(2,905,010)	(3,357,021)
Total Comprehensive income attributable to non-controlling interest		(633,981)	(641,479)
Total Comprehensive income attributable to owners of the company		(2,905,010)	(3,357,021)

Statement of Comprehensive Income for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2010	2009
<i>Earnings Per Share –</i>		
<i>Basic and diluted earnings per share</i>	3	(2.53)
<i>(cents per share)</i>		(3.27)

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

		Consolidated	
	Note	2010 \$	2009 \$
Current Assets			
Cash and cash equivalents		17,360,848	1,480,629
Trade and other receivables		1,309,724	43,382
Financial assets		1,241,199	178,063
Total Current Assets		19,911,771	1,702,074
Non-Current Assets			
Other non-current assets		22,673	22,673
Capitalised exploration costs		5,209,226	2,617,507
Financial assets		2,158,475	817,013
Property, plant & equipment		5,163	4,378
Total Non-Current Assets		7,395,537	3,461,571
Total Assets		27,307,308	5,163,645
Current Liabilities			
Trade and other payables		2,924,245	348,086
Provisions		102,298	101,971
Financial liabilities		369,086	572,658
Total Current Liabilities		3,395,629	1,022,715
Total Liabilities		3,395,629	1,022,715
Net Assets		23,911,679	4,140,930
Equity			
Issued capital	4	11,808,203	8,412,535
Option Reserve		293,107	219,953
Accumulated losses		(7,582,991)	(4,677,981)
Total Equity Attributeable to Owners		4,518,319	3,954,507
Non-controlling Interest		19,393,360	186,423
Total Equity		23,911,679	4,140,930

Statement of Changes in Equity as at 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

Consolidated

	Ordinary Share Capital \$	Accumulated losses \$	Option Reserve \$	Total attributeable to owners \$	Non- controlling Interest \$	Total \$
Balance at 1 July 2008	6,671,278	(1,320,960)	29,890	5,380,208	827,902	6,208,110
Loss attributable to members of the consolidated entity	-	(3,357,021)	-	(3,357,021)	(641,479)	(3,998,500)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(3,357,021)	-	(3,357,021)	-	(3,998,500)
Transactions with owners in their capacity as owners						
Share based payments	-	-	190,063	190,063	-	190,063
Shares issued during the financial year	1,741,257	-	-	1,741,257	-	1,741,257
Balance at 30 June 2009	8,412,535	(4,677,981)	219,953	3,954,507	186,423	4,140,930
Balance at 1 July 2009	8,412,535	(4,677,981)	219,953	3,954,507	186,423	4,140,930
Loss attributable to members of the consolidated entity	-	(2,905,010)	-	(2,905,010)	(633,981)	(3,538,991)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(2,905,010)	-	(2,905,010)	(633,981)	(3,538,991)
Transactions with owners in their capacity as owners						
Shares issued during the financial year	3,395,668	-	-	3,395,668	20,429,623	23,825,291
Capital raising costs capitalised	-	-	-	-	(588,705)	(588,705)
Share based payments	-	-	73,154	73,154	-	73,154
Balance at 30 June 2010	11,808,203	(7,582,991)	293,107	4,518,319	19,393,360	23,911,679

The accompanying notes form part of these financial statements.

Statement of Cash Flows as at 30 June 2010

MEC Resources Limited and its controlled subsidiaries

	Note	Consolidated	
		2010 \$	2009 \$
<i>Cash Flows From Operating Activities</i>			
Receipts from customers		-	-
Payments to suppliers and employees		(1,150,933)	(1,933,146)
Payment for deferred exploration expenditure		(7,138)	(1,554)
Interest received		309,685	102,840
Net cash used in operating activities		(848,386)	(1,831,860)
<i>Cash Flows From Investing Activities</i>			
Amounts repaid by/ (loaned to) other entities		(300,012)	(371,280)
Payment for investments		(2,612,532)	(22,526)
Payment for property, plant and equipment		(4,304)	(1,323)
Payment for deferred expenditure – PEP11		(3,437,942)	-
Net cash used in investing activities		(6,354,790)	(395,129)
<i>Cash Flows From Financing Activities</i>			
Proceeds from capital raising		23,083,395	1,741,257
Proceeds from/(repayment of) borrowings		-	-
Share issue costs		-	-
Net cash provided by financing activities		23,083,395	1,741,257
<i>Net increase (decrease) in Cash Held</i>		15,880,219	(485,732)
<i>Cash At the Beginning Of The Financial Year</i>		1,480,629	1,966,361
<i>Cash At The End Of The Financial Year</i>		17,360,848	1,480,629

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

1. Statement of Significant Accounting Policies

Corporate Information

The financial report includes the consolidated financial statements and the notes of MEC Resources Ltd and 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 24th August 2010 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 applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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).

Going Concern

The consolidated entity has incurred losses for the year ended 30 June 2010 of \$2,905,010 (30 June 2009: losses of \$3,357,021). The consolidated entity has cash assets of \$17,360,848 as 30 June 2010 (30 June 2009: \$1,480,629).

The consolidated entity has work program commitments of \$30,150,000, as disclosed in Note 27. Of the work program commitments a total of \$13,900,000 has been entered into as at 30 June 2010.

On 15 June 2010 Advent entered into a secured loan agreement with BPH Corporate Limited. The principal amount of the loan \$1M with further advances up to an additional \$3M payable at the discretion of the BPH Corporate Limited.

The directors have reviewed their expenditure and commitments for the consolidated entity and parent entity and have implemented methods of costs reduction.

The directors have prepared cash flow forecasts that indicate that the consolidated entity and the parent entity will have sufficient cashflows for a period of at least 12 months from the date of this report.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

Based on the cash flow forecasts and the funds expected to be received from BPH Corporate Limited, 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.

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 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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

(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.

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.

Notes to the Financial Statements for the year ended 30 June 2010

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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.

Class of Fixed Asset	Depreciation Rate
Plant and equipment	33.33%

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

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

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

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.

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 statement of comprehensive income 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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

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 .

(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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

(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).

(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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

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.

(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.

(o) Comparative Figures

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

Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the group.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Judgments —Impairment of capitalised and carried forward exploration expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. During the period nil (2009:\$55,611) was written off to the statement of comprehensive income. 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 2010.

	Consolidated	
	2010	2009
	\$	\$
<hr/>		
2. Revenue		
Revenue		
Interest revenue : other entities	255,218	102,840
Consulting income	54,467	5,466
Total revenue	<hr/> 309,685	<hr/> 108,306
Other Income		
Net gain/loss on financial assets designated as fair value through profit and loss	(1,268,875)	(1,606,457)
Gain/Loss on Sale of Investments	(2,195)	15,023
Net Fair Value Gains on Foreign currency derivative	1,116,346	-
Other income	-	-
	<hr/> 154,724	<hr/> (1,591,434)

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

3. Earnings per share

	Consolidated	
	2010 \$	2009 \$
(a) Reconciliation of Earnings to Profit or Loss		
Net loss attributable to members of the parent	(2,905,010)	(3,357,021)
Earnings used to calculate basic and diluted EPS	(2,905,010)	(3,357,021)
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	118,840,077	102,367,745
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.		

4. Issued Capital

	Consolidated	
	2010 \$	2009 \$
118,149,377 (2009: 105,897,963) fully paid ordinary shares	12,541,352	9,145,684
Less: Capital raising costs	(733,149)	(733,149)
Issued Capital	11,808,203	8,412,535

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

	2010 \$	2009 \$	2010 No	2009 No
Ordinary Shares				
At the beginning of reporting period	8,412,535	6,671,278	105,897,963	71,072,838
Shares issued during the year	2,908,000	1,741,257	7,770,769	34,825,125
Shares issued during the year on conversion of options	487,668	-	4,480,645	-
At reporting date	11,808,203	8,412,535	118,149,377	105,897,963

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 2010

MEC Resources Ltd

(a) Options

There were 17,466,666 unlisted employee options on issue at the end of the year:

Advent Energy		
Total number	Exercise price	Expiry date
3,500,000	\$0.06	30 June 2012
2,000,000	\$0.06	28 December 2012
5,500,000		
MEC Resources		
8,000,000	\$0.21	1 December 2010
1,633,333	\$0.15	30 June 2013
1,333,333	\$0.15	6 August 2013
500,000	\$0.20	30 June 2010
500,000	\$0.20	1 December 2010
11,966,666		

There were 51,440,383 listed options on issue at the end of the year:

MEC Resources		
Total number	Exercise price	Expiry date
51,440,383	\$0.20	04 July 2013
51,440,383		

The market price of the company's ordinary shares at 30 June 2010 was 38.5 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 2010 and 30 June 2009 are as follows:

	Consolidated	
	2010	2009
	\$	\$
Cash and cash equivalents	17,360,848	1,480,629
Trade and other receivables	1,309,724	43,382
Trade and other payables	(2,924,245)	(348,086)
Working capital position	15,746,327	1,175,925

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

5. Events After Balance Date

On 21st July 2010 MEC entered into an agreement with BPH for the sale of 3 million ordinary, fully paid shares in the capital of Advent Energy from MEC in consideration for the issue to MEC of 18.75 million Shares reflecting an agreement reached in December 2009.

The sale and purchase of the Advent Energy shares under the Advent Share Sale Agreement is subject to the Company obtaining all necessary Shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the transaction. The Company intends to convene a General Meeting of Shareholders in September 2010 to seek these approvals.

On 30 July 2010 MEC entered into a sub-underwriting agreement with GBA Securities. Subject to MEC completing the Bob Healy funding agreement MEC agreed to partially underwrite the BPH Corporate Entitlements offer up to a maximum of 40M shares at an issue price of 8 cents per share. MEC will receive a sub underwriting from GBA Securities.

Since year end, 187,750 quoted options and 1,012,334 unquoted options have been converted to shares.

6. Operating Segment

The group has identified its operating segments based on the internal reports that are reviewed and used by the chief executive officer 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 chief executive officer and his management team on at least a monthly basis. Currently, management's focus is on the exploration program of Advent Energy project PEP 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.

7. Contingent Liabilities

Advent Energy has entered into a secured loan agreement with BPH Corporate Ltd. The principal amount of the loan is \$1 million, with further advances of up to an additional \$3 million payable at the BPH's discretion. The Loan is secured by a fixed and floating charge over Advent Energy's present and future undertakings, assets and rights.

On the 9th October 2009 the parent entity successfully resolved a claim for outstanding consulting fees that has been brought against the parent. This has now been settled in full with no further action required.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd

8. 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	
	2010 \$	2009 \$
Work Program Commitments – Exploration permits		
Payable:		
Within one year	29,250,000	25,250,000
Greater than one year less than five years	900,000	50,000
Total	30,150,000	25,300,000

The EP 386 permit work commitment term concluded in April 2010. The permit is currently the subject of a renewal application by Advent Energy to the Department of Mines and Petroleum for a renewed term.

Advent Energy has entered into various service and rental contracts in preparation for the drilling of the first well in PEP 11 for approximately \$2,900,000 (2009:Nil). These commitments have been included in the total exploration commitments shown above.

Advent Energy has entered into an assignment agreement in relation to the rental of the drill rig for the first well in PEP 11, for a minimum 25 day period of approximately \$11,000,000 (2009:Nil). These commitments have been included in the total exploration commitments shown above.

Forward Exchange Contract

Advent Energy has entered into several forward exchange contracts, which mature within 3 month after year end totalling US\$16,638,853.

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: 24 August 2009
Company secretary

Print name: Deborah Ambrosini

MEC RESOURCES LTD

ACN 113 900 020

Annual Financial Report 2010

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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
S K Yap – Non-Executive Director (resigned 28 August 2009)
D Ambrosini – Executive Director (appointed 15 February 2010)

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
E-mail: 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

The directors of MEC Resources Ltd present their report on the company for the financial year ended 30 June 2010.

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
S K Yap (resigned 28 August 2009)
D Ambrosini (appointed 15 February 2010)

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 10 years experience in Corporate accounting roles.

Principal Activities

MEC Resources Ltd ("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 -Oil and Gas

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

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

Advent Energy, through its wholly owned subsidiary Asset Energy Pty Ltd, is pursuing its option to increase its interest to 85% in cornerstone project PEP 11 – offshore Sydney Basin. The offshore Sydney Basin contains all the elements seen in other producing world class structures. The PEP11 permit covers 8,250 km² on the doorstep of Australia's largest energy market and extensive gas infrastructure.

Advent Energy is considering a future listing on a securities exchange.

Operating Results

Operating loss for the consolidated entity after tax for the year was \$2,905,010 (2009: Loss \$3,357,021)

Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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 increased by \$19,770,749 to \$23,911,679 at 30 June 2010. The increase can be attributed to the capital raising conducted during the year in both MEC and its investee company Advent Energy. The combined total raising was in excess of \$21M and will be used to prepare for the drilling of PEP 11.

Significant Changes In State Of Affairs

During the year MEC's investee company Advent Energy ("Advent") satisfied all of the conditions of the \$7M funding agreement with the Talbot Group. On 9 April 2010 an investment of \$7M was received from Talbot Group Investments.

During the year Advent entered into an exclusive option agreement with BPH Corporate Ltd ("BPH") which gave BPH the opportunity to acquire up to 19.5% of Advent's share capital at 50c per share. On 8 February 2010 BPH invested \$7M into Advent. The second tranche was made on 7 April 2010 with a further investment of \$5.8M being received from BPH. This option expired on 30 June 2010.

During the year MEC participated in two placements undertaken by BPH. A combined amount of \$2.8M was invested in BPH giving MEC 11.16% of BPH's share capital.

On 6 April 2010 MEC converted a \$1.5M debt owing to it from Advent Energy into share capital in Advent Energy. The debt was converted at 50c per share and a total of 3 million shares were issued to MEC.

On 15 June 2010 Advent entered into a secured loan agreement with BPH. The principal amount of the loan is \$1M with further advances up to an additional \$3M payable at the discretion of the BPH.

On 29 June 2010 MEC entered into a \$4.5M funding agreement with Bob Healy and Associates ("BHA"). Upon receipt of the final payment MEC will issue BHA with 12,857,143 shares at 35c per share.

After Balance Date Events

On 21st July 2010 MEC entered into an agreement with BPH for the sale of 3 million ordinary, fully paid shares in the capital of Advent Energy from MEC in consideration for the issue to MEC of 18.75 million Shares in BPH reflecting an agreement reached in December 2009.

The sale and purchase of the Advent Energy shares under the Advent Share Sale Agreement is subject to the Company obtaining all necessary Shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the transaction. The Company intends to convene a General Meeting of Shareholders in September 2010 to seek these approvals.

On 30 July 2010 MEC entered into a sub-underwriting agreement with GBA Securities. Subject to MEC completing the Bob Healy funding agreement MEC agreed to partially underwrite the BPH Corporate Entitlements offer up to a maximum of 40M shares at an issue price of 8 cents per share. MEC will receive a sub underwriting from GBA Securities.

Directors' Report

MEC Resources Ltd and its controlled subsidiaries

Since year end, 187,750 quoted options and 1,012,334 unquoted options have been converted to shares.

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 55

Shares held in MEC – 5,135,498

Shares held in Advent – 2,000,000

Listed Options held – 4,725,144

Unlisted Options held – 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 Corporate Limited.

D L Breeze

Executive Director – Age 56

Shares held MEC – 10,183,654

Listed Options – 7,608,228

Unlisted Options held in MEC – 3,000,000

Unlisted Options held in Advent – 2,000,000

Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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

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

K O Yap

Non-Executive Director – Age 48

Shares held MEC– 4,039,350

Listed options – 3,000,000

Unlisted Options held – 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 55

Shares held – 3,434,350

Listed options – 2,062,500

Unlisted Options held – nil

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

Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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

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

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

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

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 – Age 36

Shares held – nil

Listed options – nil

Unlisted Options held – 800,000

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 and was a state finalist in the 2009 Telstra Business Woman Awards. Deborah is also a Director of ASX listed BPH Corporate Limited.

Remuneration Report

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

H Goh – Non-Executive Chairman

D L Breeze - Executive Director

K O Yap - Non-Executive Director

C T Lim - Non-Executive Director

S K Yap – Non Executive Director (resigned 28 August 2009)

D Ambrosini – Executive Director (appointed 15 February 2010) and Company Secretary

Directors' Report

MEC Resources Ltd and its controlled subsidiaries

Remuneration Policy

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

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

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

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the economic entity's profits and shareholders' value. 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

Compensation Practices

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

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

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

Employment contracts of directors

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

Details of Remuneration for the year ended 30 June 2010

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

2010

Key Management Person	Short-term Benefits			Post-employment Benefits
	Cash, Salary and Fees	Bonus	Non-cash benefit	Superannuation
H Goh	85,000	-	-	-
S K Yap	8,333	-	-	-
D L Breeze	100,000	-	-	-
K O Yap	10,000	-	-	-
C T Lim	10,000	-	-	-
D Ambrosini	12,500	-	-	-

Directors' Report

MEC Resources Ltd and its controlled subsidiaries

2010 (cont'd)

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related	Compensation relating to options
	Other	Shares	Options	\$	%	%
H Goh	-	15,000*	-	100,000	-	-
S K Yap	-	-	-	8,333	-	-
D L Breeze	-	15,000*	-	115,000	-	-
K O Yap	-	15,000*	-	25,000	-	-
C T Lim	-	15,000*	-	25,000	-	-
D Ambrosini	-	-	8,444	20,944	-	40.31%

* During the year, the directors decided to exercise of entitlement under Shareholder Share Purchase Plan completed in October 2010. Payment of shares was via a reduction of director fees payable.

2009

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

2009 (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	-	-
S K Yap	-	-	-	50,000	-	-
D L Breeze	-	-	60,941	175,941	34.63	34.63
K O Yap	-	-	-	25,000	-	-
C T Lim	-	-	-	25,000	-	-
D Ambrosini	-	-	-	-	-	-

Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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.

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	1,000,000

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

The following relate to grants of share based payments compensation to directors:

Name	Option Series	No. Granted	No. Vested	% of grant vested	% of grant forfeited	% of compensation for the year consisting of options
D Breeze	14/05/2008	2,000,000	2,000,000	100%	n/a	34.63%
D Ambrosini	01/06/2008	1,000,000	1,000,000	66%	n/a	40.31%

During the year, Ms Ambrosini exercised 200,000 options into 200,000 ordinary shares at an exercise price of \$0.15.

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 a slight decrease in the operating loss with a significant increase in the share price. The Board is of the opinion that the increased share price is in line with expectations as MEC's investee company, Advent Energy Ltd progresses with its drilling preparations for Petroleum Exploration Permit 11. The Board is satisfied that the current developments will translate to increased shareholder wealth.

	2006	2007	2008	2009	2010
Revenue	21,735	105,971	1,067,694	108,306	309,685
Net Profit/Loss	(106,981)	(765,217)	(433,939)	(3,357,021)	(2,905,010)
Share price at Year end	\$0.15	\$0.115	\$0.115	\$0.105	\$0.385

There is no link between the performance of the entity and remuneration policy of the company.

End of remuneration report.

Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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
S K Yap	2	2
D L Breeze	2	2
K O Yap	2	2
C T Lim	2	2

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 \$18,810.

- D Breeze
- D Ambrosini
- H Goh
- K O Yap
- C T Lim

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
18/05/2006	1/12/2010	\$0.21	7,500,000
01/06/2008	30/06/2013	\$0.15	1,453,333
22/01/2009	1/12/2010	\$0.20	500,000
06/08/2008	06/08/2013	\$0.15	1,166,667

Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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	30/06/2012	\$0.06	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	51,252,633

During the year ended 30 June 2010, 1,683,334 ordinary shares of MEC Resources Ltd were issued on the exercise of options granted under the MEC Resources Ltd Employee Option Plan. No amounts are unpaid on any of the shares.

Since year end, 187,750 quoted options and 1,012,334 unquoted options have been converted to 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 not subject to significant environmental regulation under the law of the Commonwealth and State.

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 2010. (2009: Nil).

Directors' Report

MEC Resources Ltd and its controlled subsidiaries

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 13.

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

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

David Breeze

Director

Dated this 24th Day of August 2010

The Board of Directors
MEC Resources Limited
14 View Street
NORTH PERTH WA 6006

24 August 2010

Dear Board Members


MEC Resources Limited

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 Limited.

As lead audit partner for the audit of the financial statements of MEC Resources Limited for the financial year ended 30 June 2010, 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

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 carried out the functions of an Audit Committee. Due to the status of the Company and the relatively straight forward accounts of the Company, the Directors believe that at the moment there would be no additional benefits obtained by establishing such a committee. The Board follows the Audit Committee Charter, a copy of which is available on request.

Corporate Governance Statement

BOARD RESPONSIBILITIES

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

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

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

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

MONITORING OF THE BOARD'S PERFORMANCE

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

BEST PRACTICE RECOMMENDATION

Outlined below are the 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>Principle 1: Lay solid foundations for management and oversight</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

Action taken and reasons if not adopted

- 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 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

Action taken and reasons if not adopted

- 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. However, these are not of a value or significance that adversely affects the directors' independence.

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 Chief Executive Officer (CEO)

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 CEO 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 2010, and the number of meetings attended by each director is disclosed on page 10.

Corporate Governance Statement

Action taken and reasons if not adopted

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 2010.

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.

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.

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 Deloitte'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,

Corporate Governance Statement

Action taken and reasons if not adopted

is provided in the directors' report and in note 4 to the financial statements. It is the policy of the external auditors to 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 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 Chief Executive Officer. The Board ensures that the Chief Executive Officer is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the Company's officers, employees, contractors and consultants. The board receives monthly updates as to the effectiveness of the company's management of material

Corporate Governance Statement

Action taken and reasons if not adopted

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 Chief Executive Officer 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.

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

Corporate Governance Statement

**Action taken and reasons
if not adopted**

enter into any transactions that would limit the economic risk of options or other unvested entitlements.

The board with the Chief Executive Office 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 2010

MEC Resources Ltd and its controlled subsidiaries

		Consolidated	
	Note	2010 \$	2009 \$
Revenue	2	309,685	108,306
Other gains and losses	2	(1,271,070)	(1,591,434)
Other Income	2	1,116,346	-
Administration expenses		(364,868)	(217,650)
Consulting and Legal expenses		(1,860,104)	(801,692)
Depreciation and amortisation expense		(3,518)	(3,040)
Impairment expense		-	(55,611)
Employee expenses	3	(559,706)	(653,199)
Insurance expenses		(33,587)	(25,350)
Data Centre administration		(17,667)	(31,927)
Service Fees		(347,040)	(347,029)
Travelling expenses		(182,813)	(181,132)
Other expenses		(324,849)	(198,742)
Operating Loss Before Income Tax		(3,538,991)	(3,998,500)
Income tax expense	8	-	-
Operating Loss from continuing operations		(3,538,991)	(3,998,500)
Other Comprehensive Income		-	-
Total Comprehensive income for the period		(3,538,991)	(3,998,500)
Operating Loss attributable to non-controlling interest		(633,981)	(641,479)
Loss attributable to owners of the company		(2,905,010)	(3,357,021)
Total Comprehensive income attributable to non-controlling interest		(633,981)	(641,479)
Total Comprehensive income attributable to owners of the company		(2,905,010)	(3,357,021)

Statement of Comprehensive Income

for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2010	2009
<i>Earnings Per Share –</i>		
<i>Basic and diluted earnings per share</i>	6	(2.53)
<i>(cents per share)</i>		(3.27)

The accompanying notes form part of these financial statements.

Statement of Financial Position as at 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Note	Consolidated	
		2010 \$	2009 \$
Current Assets			
Cash and cash equivalents	7	17,360,848	1,480,629
Trade and other receivables	9	1,309,724	43,382
Financial assets	12	1,241,199	178,063
Total Current Assets		19,911,771	1,702,074
Non-Current Assets			
Other non-current assets	10	22,673	22,673
Evaluation and exploration expenditure	11	5,209,226	2,617,507
Financial assets	12	2,158,475	817,013
Property, plant & equipment	13	5,163	4,378
Total Non-Current Assets		7,395,537	3,461,571
Total Assets		27,307,308	5,163,645
Current Liabilities			
Trade and other payables	14	2,924,245	348,086
Provisions	15	102,298	101,971
Financial liabilities	16	369,086	572,658
Total Current Liabilities		3,395,629	1,022,715
Total Liabilities		3,395,629	1,022,715
Net Assets		23,911,679	4,140,930
Equity			
Issued capital	17	11,808,203	8,412,535
Option Reserve	18	293,107	219,953
Accumulated losses		(7,582,991)	(4,677,981)
Total Equity Attributable to Owners		4,518,319	3,954,507
Non-controlling Interest		19,393,360	186,423
Total Equity		23,911,679	4,140,930

The accompanying notes form part of these financial statements.

Statement of Changes in Equity for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Ordinary Share Capital \$	Accumulated losses \$	Option Reserve \$	Total attributable to owners \$	Non- controlling Interest \$	Total \$
Balance at 1 July 2008	6,671,278	(1,320,960)	29,890	5,380,208	827,902	6,208,110
Loss attributable to members of the consolidated entity	-	(3,357,021)	-	(3,357,021)	(641,479)	(3,998,500)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(3,357,021)	-	(3,357,021)	(641,479)	(3,998,500)
Transactions with owners in their capacity as owners						
Share based payments	-	-	190,063	190,063	-	190,063
Shares issued during the financial year	1,741,257	-	-	1,741,257	-	1,741,257
Balance at 30 June 2009	8,412,535	(4,677,981)	219,953	3,954,507	186,423	4,140,930
Balance at 1 July 2009	8,412,535	(4,677,981)	219,953	3,954,507	186,423	4,140,930
Loss attributable to members of the consolidated entity	-	(2,905,010)	-	(2,905,010)	(633,981)	(3,538,991)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(2,905,010)	-	(2,905,010)	(633,981)	(3,538,991)
Transactions with owners in their capacity as owners						
Shares issued during the financial year	3,395,668	-	-	3,395,668	20,429,623	23,825,291
Capital raising costs c	-	-	-	-	(588,705)	(588,705)
Share based payments	-	-	73,154	73,154	-	73,154
Balance at 30 June 2010	11,808,203	(7,582,991)	293,107	4,518,319	19,393,360	23,911,679

The accompanying notes form part of these financial statements.

Cash Flow Statement for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Note	Consolidated	
		2010 \$	2009 \$
<i>Cash Flows From Operating Activities</i>			
Receipts from customers		-	-
Payments to suppliers and employees		(1,150,933)	(1,933,146)
Payment for deferred exploration expenditure		(7,138)	(1,554)
Interest received		309,685	102,840
Net cash used in operating activities	19	(848,386)	(1,831,860)
<i>Cash Flows From Investing Activities</i>			
Amounts repaid by/ (loaned to) other entities		(300,012)	(371,280)
Payment for investments		(2,612,532)	(22,526)
Payment for property, plant and equipment		(4,304)	(1,323)
Payment for deferred expenditure – PEP11		(3,437,942)	-
Net cash used in investing activities		(6,354,790)	(395,129)
<i>Cash Flows From Financing Activities</i>			
Proceeds from capital raising		23,083,395	1,741,257
Proceeds from/(repayment of) borrowings		-	-
Share issue costs		-	-
Net cash provided by financing activities		23,083,395	1,741,257
<i>Net increase (decrease) in Cash Held</i>		15,880,219	(485,732)
<i>Cash At the Beginning Of The Financial Year</i>		1,480,629	1,966,361
<i>Cash At The End Of The Financial Year</i>	7	17,360,848	1,480,629

The accompanying notes form part of these financial statements.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

1. Statement of Significant Accounting Policies

Corporate Information

The financial report includes the consolidated financial statements and the notes of MEC Resources Ltd and 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 24th August 2010 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 applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

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).

Going Concern

The consolidated entity has incurred losses for the year ended 30 June 2010 of \$2,905,010 (30 June 2009: losses of \$3,357,021). The consolidated entity has cash assets of \$17,360,848 as 30 June 2010 (30 June 2009: \$1,480,629).

The consolidated entity has work program commitments of \$30,150,000, as disclosed in Note 27. Of the work program commitments a total of \$13,900,000 has been entered into as at 30 June 2010.

On 15 June 2010 Advent entered into a secured loan agreement with BPH Corporate Limited. The principal amount of the loan is \$1M with further advances up to an additional \$3M payable at the discretion of the BPH Corporate Limited.

The directors have reviewed their expenditure and commitments for the consolidated entity and parent entity and have implemented methods of costs reduction.

Based on available cash resources and contractual obligations at the date of this report, the directors have prepared cash flow forecasts that indicate that the consolidated entity and the

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

parent entity will have sufficient cashflows for a period of at least 12 months from the date of this report.

Based on the cash flow forecasts and the funds expected to be received from BPH Corporate Limited, 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.

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 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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

(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.

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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

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.

Class of Fixed Asset	Depreciation Rate
Plant and equipment	33.33%

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

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

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

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.

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 statement of comprehensive income 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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

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 .

(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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

(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).

(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

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

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.

(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.

(o) 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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

(p) 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.

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

Key Judgments — Impairment of capitalised and carried forward exploration expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. During the period nil (2009:\$55,611) was written off to the statement of comprehensive income. 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 2010.

	Consolidated	
	2010	2009
	\$	\$
2. Revenue		
Revenue		
Interest revenue : other entities	255,218	102,840
Consulting income	54,467	5,466
Total revenue	309,685	108,306
Other Income		
Net gain/loss on financial assets designated as fair value through profit and loss	(1,268,875)	(1,606,457)
Gain/Loss on Sale of Investments	(2,195)	15,023
Net Fair Value Gains on Foreign currency derivative	1,116,346	-
Other income	-	-
	154,724	(1,591,434)

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2010	2009
	\$	\$
3. Loss For The Year		
Expenses		
Employee Expenses		
Salary	457,057	468,330
Superannuation expense	18,450	17,400
Share-based payments	83,872	161,226
Other payroll expenses	327	6,243
	<u>559,706</u>	<u>653,199</u>

4. Auditors' Remuneration

Remuneration of the auditor of the parent entity for:

PKF	18,970	33,006
Deloitte	13,500	-

Remuneration of other auditors of subsidiaries for:

- auditing or reviewing the financial report of subsidiaries

PKF	-	12,000
Deloitte Touche Tohmatsu	8,000	-
	<u>40,470</u>	<u>45,006</u>

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

D Ambrosini – Executive Director (appointed 15 February 2010)

Short term employee benefits	225,833	315,000
Share based payments	68,444	60,941
	<u>294,277</u>	<u>375,941</u>

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

Key management personnel remuneration, shareholdings and option holdings are show below:

Options and Rights Holdings

2010 Number of Listed Options Held by Key Management Personnel

	Balance 1.7.2009	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2010	Total Vested 30.6.2010	Total Vested and Exercisable 30.6.2010	Total Unexercisable 30.6.2010
H Goh	4,725,144	-	-	-	4,725,144	4,725,144	4,725,144	-
S K Yap	-	-	-	-	-	-	-	-
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	13,635	-	-	(13,635)	-	-	-	-

2009 Number of Listed Options Held by Key Management Personnel

	Balance 1.7.2008	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009	Total Vested 30.6.2009	Total Vested and Exercisable 30.6.2009	Total Unexercisable 30.6.2009
H Goh	-	-	-	4,725,144	4,725,144	4,725,144	4,725,144	-
S K Yap	-	-	-	-	-	-	-	-
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	-	-	-	13,635	13,635	13,635	13,635	-

2010 Number of Unlisted Options Held by Key Management Personnel MEC Resources Ltd

	Balance 1.7.2009	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2010	Total Vested 30.6.2010	Total Vested and Exercisable 30.6.2010	Total Unexercisable 30.6.2010
H Goh	-	-	-	-	-	-	-	-
S K Yap	3,000,000	-	-	(3,000,000)*	-	-	-	-
D Breeze	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-
K O Yap	-	-	-	-	-	-	-	-
C T Lim	-	-	-	-	-	-	-	-
D Ambrosini	1,000,000	-	(200,000)	-	800,000	466,667	466,667	333,333

*relates to resignation of Director.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

2009 Number of Unlisted Options Held by Key Management Personnel MEC Resources Ltd

	Balance 1.7.2008	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009	Total Vested 30.6.2009	Total Exercisable 30.6.2009	Total Unexercisable 30.6.2009
H Goh	-	-	-	-	-	-	-	-
S K Yap	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-
D Breeze	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-
K O Yap	-	-	-	-	-	-	-	-
C T Lim	-	-	-	-	-	-	-	-
D Ambrosini	1,000,000	-	-	-	1,000,000	333,333	333,333	666,667

2010 Number of Unlisted Options Held by Key Management Personnel Advent Energy Ltd

	Balance 1.7.2009	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2010	Total Vested 30.6.2010	Total Vested and Exercisable 30.6.2010	Total Vested and Unexercisable 30.6.2010
H Goh	-	-	-	-	-	-	-	-
S K Yap	-	-	-	-	-	-	-	-
D Breeze	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
K O Yap	-	-	-	-	-	-	-	-
C T Lim	-	-	-	-	-	-	-	-
D Ambrosini	-	-	-	-	-	-	-	-

2009 Number of Unlisted Options Held by Key Management Personnel Advent Energy Ltd

	Balance 1.7.2008	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009	Total Vested 30.6.2009	Total Exercisable 30.6.2009	Total Unexercisable 30.6.2009
H Goh	-	-	-	-	-	-	-	-
S K Yap	-	-	-	-	-	-	-	-
D Breeze	-	2,000,000	-	-	2,000,000	2,000,000	2,000,000	-
K O Yap	-	-	-	-	-	-	-	-
C T Lim	-	-	-	-	-	-	-	-
D Ambrosini	-	-	-	-	-	-	-	-

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

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

2010

	Balance 1.7.2009	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2010
H Goh	5,300,192	39,350	-	(204,044)	5,135,498
D L Breeze	10,144,304	39,350	-	-	10,183,654
SK Yap	2,382,250	-	-	(2,382,250)*	-
K O Yap	4,000,000	39,350	-	-	4,039,350
C T Lim	3,395,000	39,350	-	-	3,434,350
D Ambrosini	18,180	-	-	(18,180)	-

2009

	Balance 1.7.2008	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009
H Goh	3,150,096	-	-	2,150,096	5,300,192
S K Yap	2,382,250	-	-	-	2,382,250
D L Breeze	5,072,151	-	-	5,072,153	10,144,304
K O Yap	2,000,000	-	-	2,000,000	4,000,000
C T Lim	2,020,000	-	-	1,375,000	3,395,000
D Ambrosini	-	-	-	18,180	18,180

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

2010

	Balance 1.7.2009	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2010
H Goh	3,000,000	-	-	-	3,000,000
D L Breeze	-	-	-	-	-
S K Yap	2,000,000	-	-	(2,000,000)*	-
K O Yap	-	-	-	-	-
C T Lim	-	-	-	-	-
D Ambrosini	-	-	-	-	-

2009

	Balance 1.7.2008	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2009
H Goh	-	3,000,000	-	-	3,000,000
S K Yap	-	2,000,000	-	-	2,000,000
D L Breeze	-	-	-	-	-
K O Yap	-	-	-	-	-
C T Lim	-	-	-	-	-
D Ambrosini	-	-	-	-	-

*relates to resignation of director

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

There were no options granted to key management personnel during the year.

6. Earnings per share

	Consolidated	
	2010	2009
	\$	\$
(a) Reconciliation of Earnings to Profit or Loss		
Net loss attributable to members of the parent	(2,905,010)	(3,357,021)
Earnings used to calculate basic and diluted EPS	(2,905,010)	(3,357,021)
(b) Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	118,840,077	102,367,745
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	17,360,848	1,480,629
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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	17,360,848	1,480,629
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8. Income Tax Expense

	Consolidated	
	2010	2009
	\$	\$
(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	(3,538,991)	(3,998,500)
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2009: 30%)	(1,061,697)	(1,199,550)

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2010	2009
	\$	\$
Non deductible expenses	52,822	489,054
Difference in tax rates of parent which is taxed at 25% (due to pooled development fund status)	48,603	49,275
Unused tax losses not recognised as deferred tax assets	960,273	661,221
	-	-
Weighted average rate of tax	-%	-%

(b) The following deferred tax balances at 30% (2008: 30%) have not been recognised

Deferred Tax Assets:

Temporary differences	571,872	281,343
Carry forward revenue losses	2,551,984	1,572,903
Capital raising costs		-

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.

(c) Unrecognised deferred liabilities

Fair value movement in investments	523,478	470,969
Exploration Expenditure	1,569,569	792,054

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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2010	2009
	\$	\$
9. Trade and other receivables		
CURRENT		
Trade receivables	59,960	22,507
Prepaid expenses	49,712	11,984
Prepaid deposit	853,392	-
Net GST receivables	346,658	8,891
	<u>1,309,724</u>	<u>43,382</u>
Ageing of past due but not impaired		
60-90 days	37,453	-
90-120 days	-	-
120 days and over	22,507	22,507
Total	<u>59,960</u>	<u>22,507</u>
10. Other Assets		
Other Assets	<u>22,673</u>	<u>22,673</u>
Total Other Assets	<u>22,673</u>	<u>22,673</u>
11. Capitalised Exploration Costs		
Exploration expenditure capitalised		
Exploration and evaluation phases	<u>5,209,226</u>	<u>2,617,507</u>
	<u>5,209,226</u>	<u>2,617,507</u>

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2010 \$	2009 \$
Reconciliation of movement during the year		
Opening balance at 1 July	2,617,507	2,671,564
Capitalised expenditure – EP 325	8,383	166
Capitalised expenditure – PEP 11	2,583,336	1,388
Capitalised expenditure written off	-	(55,611)
Balance at 30 June	5,209,226	2,617,507

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

Capitalised costs amounting to \$nil (2009:\$1,554) have been included in cash flows from operating activities in the statement of cashflows.

12. Financial Assets

Current

Derivative financial instruments - forward exchange contracts (a)	1,116,346	-
Loan receivable	124,853	178,063
Total	1,241,199	178,063

Loans receivable

Loan to Grandbridge Limited	124,853	178,063
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Non current

Fair Value through Profit and Loss
Financial Assets

Investment in Central Petroleum Ltd	503,934	817,013
Investment in BPH Corporate Ltd	1,584,630	-
Available for sale financial assets		
Investment in Molecular Discovery Systems Ltd	69,911	-

	2,158,475	817,013
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Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

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

MEC Resources sub underwrote the BPH Corporate placement through Grandbridge Securities in December 2009. MEC was entitled to take up to 24 million shares under this agreement. A total of 16,118,384 shares were allotted to MEC under the first placement. A second placement was conducted in January 2010 and MEC participated for a further allotment of 7,199,995 shares to increase their holding to 23,318,379 shares.

(a) Instruments used by the group

The group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the group's financial risk management policies.

Forward exchange contracts - held for trading

The group has entered into forward exchange contracts which are economic hedges but do not satisfy the requirements for hedge accounting. Refer to note 1 for the accounting policies of these contracts.

MEC investee company Advent Energy has entered into a forward contract for the payment of the rig deposit. The contract is due to expire on 31 July 2010.

Consolidated

2010	2009
\$	\$

13. Property, Plant and Equipment

Plant and Equipment:

At cost	14,255	9,952
Accumulated depreciation	(9,092)	(5,574)
Total Property, Plant and Equipment	5,163	4,378

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

	2010	Total	2009	Total
	\$	\$	\$	\$
Consolidated Entity:				
Balance at the beginning of the year	4,378	4,378	6,095	6,095
Additions	4,303	4,303	1,370	1,370
Disposals	-	-	-	-
Depreciation expense	(3,518)	(3,518)	(3,087)	(3,087)
Carrying amount at the end of the year	5,163	5,163	4,378	4,378

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2010 \$	2009 \$
14. Trade and other payables		
Trade payables	1,994,529	157,743
Sundry payables and accrued expenses	929,716	190,343
	<u>2,924,245</u>	<u>348,086</u>
15. Provisions		
Employee entitlements:		
Opening balance at 1 July	20,127	13,884
Increase/Decrease in provision	327	6,243
Balance at 30 June	<u>20,454</u>	<u>20,127</u>
Share sale agreement:		
Opening balance at 1 July	81,843	81,843
Increase in provision	-	-
Balance at 30 June	<u>81,843</u>	<u>81,843</u>
Total Provisions	<u>102,298</u>	<u>101,971</u>

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual 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.

16. Financial Liabilities

Loans payable	<u>369,086</u>	<u>572,658</u>
Loan from Grandbridge Limited	356,986	570,974
Loans from other entities	<u>12,100</u>	<u>1,684</u>

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

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2010 \$	2009 \$
118,149,377 (2009: 105,897,963) fully paid ordinary shares	12,541,352	9,145,684
Less: Capital raising costs	(733,149)	(733,149)
Issued Capital	11,808,203	8,412,535

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

	2010	2009	2010	2009
	\$	\$	No	No
Ordinary Shares				
At the beginning of reporting period	8,412,535	6,671,278	105,897,963	71,072,838
Shares issued during the year	2,908,000	1,741,257	7,770,769	34,825,125
Shares issued during the year on conversion of options	487,668	-	4,480,645	-
At reporting date	11,808,203	8,412,535	118,149,377	105,897,963

Fully Paid Ordinary Share Capital

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

(a) Options

There were 17,466,666 unlisted employee options on issue at the end of the year:

Advent Energy		
Total number	Exercise price	Expiry date
3,500,000	\$0.06	30 June 2012
2,000,000	\$0.06	28 December 2012
5,500,000		
MEC Resources		
8,000,000	\$0.21	1 December 2010
1,633,333	\$0.15	30 June 2013
1,333,333	\$0.15	6 August 2013
500,000	\$0.20	30 June 2010
500,000	\$0.20	1 December 2010
11,966,666		

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

There were 51,440,383 listed options on issue at the end of the year:

MEC Resources		
Total number	Exercise price	Expiry date
51,440,383	\$0.20	04 July 2013
<u>51,440,383</u>		

The market price of the company's ordinary shares at 30 June 2010 was 38.5 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 2010 and 30 June 2009 are as follows:

	Consolidated	
	2010 \$	2009 \$
Cash and cash equivalents	17,360,848	1,480,629
Trade and other receivables	1,309,724	43,382
Trade and other payables	(2,924,245)	(348,086)
Working capital position	<u>15,746,327</u>	<u>1,175,925</u>

18. Reserves

Options Reserve	<u>293,107</u>	<u>219,953</u>
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a. Option Reserve

The option reserve records items recognized as expenses in respect of the granting of Director and Employee share options.

Reconciliation of movement	2010 \$	2009 \$
Opening balance	219,953	29,890
Options charged during the year	83,872	190,063
Expired options	(10,718)	-
Closing balance	<u>293,107</u>	<u>219,953</u>

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

	Consolidated	
	2010	2009
	\$	\$
19. Cash Flow Information		
(a) Reconciliation of Cash Flow from Operations with Profit after income tax		
Operating loss after income tax	(3,538,991)	(3,998,500)
Non-cash flows in profit:		
Depreciation	3,518	3,040
Gain/Loss on disposal of investments	2,195	(15,023)
Revaluation on investments	1,271,005	1,606,447
Share based payments	226,284	189,917
Net gain on FV of forward contract	(1,116,346)	-
Exploration costs written off	-	55,611
Administration recharges	140,441	263,654
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	(375,220)	(5,080)
(Increase)/decrease in other assets	(37,760)	(543)
Increase/(decrease) in trade payables and accruals	2,576,161	62,374
Increase/(decrease) in provisions	327	6,243
Net cash flow from operating activities	(848,386)	(1,831,860)

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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

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:

Net loss for the year ended 30 June 2010 would decreased/increase \$104,388 (2009:increase/decrease by \$40,851) 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:

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

2010	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
<i>Financial Assets</i>				
Cash and cash equivalents	4.25%	17,360,848	-	17,360,848
Trade and other receivables	-	-	1,309,724	1,309,724
Financial Assets -current	-	-	1,241,199	1,241,199
Financial Assets- non current	-	-	2,158,475	2,158,475
		17,360,848	4,709,398	21,440,246
<i>Financial Liabilities</i>				
Trade and sundry Payables	-	-	2,924,245	2,924,245
Financial liabilities	-	-	369,086	369,086
		-	3,293,331	3,293,331

2009	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
<i>Financial Assets</i>				
Cash and cash equivalents	3.00%	1,480,629	-	1,480,629
Trade and other receivables	-	-	43,382	43,382
Financial Assets -current	-	-	178,063	178,063
Financial Assets –non current	-	-	817,013	817,013
		1,480,629	1,038,458	2,519,087
<i>Financial Liabilities</i>				
Trade and sundry Payables	-	-	348,086	348,086
Other loans	-	-	572,658	572,658
			920,744	920,744

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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

- 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:

	2010		2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Financial assets at fair value through profit or loss	2,088,564	2,088,564	817,013	817,013
Available for sale financial assets	69,911	69,911	-	-
Derivative financial assets	1,116,346	1,116,346	-	-
Loans and receivables	1,434,577	1,434,577	221,445	221,445
	<u>4,709,398</u>	<u>4,709,398</u>	<u>1,038,458</u>	<u>1,038,458</u>
Financial Liabilities				
Other loans and amounts due	369,086	369,086	572,658	572,658
Other liabilities	2,924,245	2,924,245	348,086	348,086
	<u>3,293,331</u>	<u>3,293,331</u>	<u>920,744</u>	<u>920,744</u>

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	
	2010	2009
Change in profit		
— Increase in interest rate by 1%	60,051	34,280
— Decrease in interest rate by 0.5%	(30,026)	(17,140)

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

(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.
- 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 2010

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
- Investments in listed entities	2,088,564	-	-	2,088,564
Available for sale financial assets				
- Investments in unlisted entities	-	-	69,911	69,911
Derivative financial instruments				
- Forward exchange contracts	-	1,116,346	-	1,116,346
Total	2,088,564	1,116,346	69,911	3,274,821

Reconciliation of Level 3 fair value measurements of financial assets:

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

The purchase during the year relates to their 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 balance sheet date. The investment in Molecular Discovery Systems Ltd was an arm's length transaction.

(d) Forward foreign exchange contracts

It is the policy of the Group to enter into forward foreign exchange contracts to cover specific foreign currency payments and receipts.

The Group also enters into forward foreign exchange contracts to manage the risk associated with anticipated purchase transactions. Basis adjustments are made to the carrying amounts of non-financial hedged items when the anticipated purchase transaction takes place.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

In the current year, the Group entered into forward contracts as a hedge of its committed expenditure for the PEP 11 drilling costs, which has US Currency as its functional currency.

The following table details the forward foreign currency (FC) contracts outstanding at the end of the year:

Outstanding contracts	Average exchange rate		Foreign Currency		Notional Value		Fair Value	
	30/06/10	30/06/09	30/06/10	30/06/09	30/06/10	30/06/09	30/06/10	30/06/09
Buy Currency Less than 3 months	0.8514	-	16,638,853	-	19,542,933	-	1,116,346	-
							<u>1,116,346</u>	<u>-</u>

In the current year, the Group entered into forward contracts as a hedge of its committed expenditure for the PEP 11 drilling costs, which has US Currency as its functional currency. The Group has entered into forward foreign exchange contracts (for terms not exceeding 6 months) to hedge the exchange rate risk arising from these anticipated future purchases

At 30 June 2010, the aggregate amount of gains under forward foreign exchange contracts relating to these anticipated future purchase transactions is \$1,116,346 (2009: Nil). It is anticipated that the purchases will take place during the first 6 months of the next financial year.

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 chief executive officer 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 chief executive officer and his management team on at least a monthly basis. Currently, management's focus is on the exploration program of Advent Energy project PEP 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.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

22. Events after the Balance Sheet Date

On 21st July 2010 MEC entered into an agreement with BPH for the sale of 3 million ordinary, fully paid shares in the capital of Advent Energy from MEC in consideration for the issue to MEC of 18.75 million Shares reflecting an agreement reached in December 2009.

The sale and purchase of the Advent Energy shares under the Advent Share Sale Agreement is subject to the Company obtaining all necessary Shareholder approvals required by the Corporations Act and the ASX Listing Rules in relation to the transaction. The Company intends to convene a General Meeting of Shareholders in September 2010 to seek these approvals.

On 30 July 2010 MEC entered into a sub-underwriting agreement with GBA Securities. Subject to MEC completing the Bob Healy funding agreement MEC agreed to partially underwrite the BPH Corporate Entitlements offer up to a maximum of 40M shares at an issue price of 8 cents per share. MEC will receive a sub underwriting from GBA Securities.

Since year end, 187,750 quoted options and 1,012,334 unquoted options have been converted to shares.

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:

	Parent	
	2010	2009
	\$	\$
MEC Resources Ltd	22,792,852	25,221,746
Advent Energy Ltd	7,000,000	7,000,000

Other Equity Instruments

Listed Options

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

MEC Resources Ltd	17,395,872	17,395,872
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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	3,800,000	6,000,000
Advent Energy Ltd	2,000,000	2,000,000

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

(c) Related entities

A loan facility exists between Advent Energy and its parent entity, MEC Resources \$nil (2009: \$1,536,102). The loan was 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 was repaid in full on 6 April 2010 through a conversion to equity in Advent Energy Ltd and the charge was released.

(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 (2009: \$65,000) was paid during the year.

24. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
			2010	2009
Parent Entity				
MEC Resources Limited	Investment	Australia		
Subsidiaries of MEC Resources Ltd				
Advent Energy Limited	Oil and Gas exploration and development	Australia	52.22	74.00
Asset Energy Proprietary Limited	Oil and Gas exploration and development	Australia	52.22	74.00

25. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2010:

There were 17,466,666 unlisted employee options on issue at the end of the year:

Advent Energy Total number	Grant Date	Exercise price	Fair Value	Expiry date
3,500,000	01/06/2008	\$0.06	\$0.0302	30 June 2012
2,000,000	14/05/2008	\$0.06	\$0.0319	28 December 2012
5,500,000				
MEC Resources				
8,000,000	18/05/2006	\$0.21	\$0.0201	1 December 2010
1,633,333	01/06/2008	\$0.15	\$0.0304	30 June 2013
1,333,333	06/08/2008	\$0.15	\$0.0463	6 August 2013
500,000	23/07/2009	\$0.20	\$0.0176	30 June 2010
500,000	22/01/2009	\$0.20	\$0.0086	1 December 2010
11,966,666				

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

On 17 July 2009, 5,000,000 share options were granted to Mr Ding Gui Ming, member of MEC Resources advisory panel. The options entitled the Mr Ding Gui Ming to take up ordinary shares at an exercise price of \$0.20 each. The options hold no voting or dividend rights and are not transferable.

At balance date, 1,683,334 MEC share options have been exercised. (2009: Nil)

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.

	Consolidated Group			
	2010		2009	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	31,475,000	\$0.17	28,475,000	\$0.19
Granted	500,000	0.20	1,500,000	0.15
Granted	-	-	2,000,000	0.06
Exercised	(683,334)	0.15	-	-
Exercised	(1,000,000)	0.21	-	-
Exercised	(2,760,000)	0.20	-	-
Expired	(10,065,000)	0.20	(1,000,000)	0.10
Outstanding at year-end	17,466,666	\$0.15	31,475,000	\$0.17
Exercisable at year-end	13,666,666	\$0.15	24,541,667	\$0.17

The weighted average fair value of the options granted during the year was \$8,550.

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

Weighted average exercise price	\$0.20
Weighted average life of the option	12 months
Underlying share price	\$0.105
Expected share price volatility	85%
Risk free interest rate	7.75%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

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 \$83,872 (2009: \$161,226), and relates, in full, to equity

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

26. Contingent Liabilities

Advent Energy has entered into a secured loan agreement with BPH Corporate Ltd. The principal amount of the loan is \$1 million, with further advances of up to an additional \$3 million payable at the BPH's discretion. The Loan is secured by a fixed and floating charge over Advent Energy's present and future undertakings, assets and rights.

On the 9th October 2009 the parent entity successfully resolved a claim for outstanding consulting fees that has been brought against the parent. This has now been settled in full with no further action required.

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	
	2010 \$	2009 \$
Work Program Commitments – Exploration permits		
Payable:		
Within one year	29,250,000	25,250,000
Greater than one year less than five years	900,000	50,000
Total	30,150,000	25,300,000

The EP 386 permit work commitment term concluded in April 2010. The permit is currently the subject of a renewal application by Advent Energy to the Department of Mines and Petroleum for a renewed term.

Advent Energy has entered into various service and rental contracts in preparation for the drilling of the first well in PEP 11 for approximately \$2,900,000 (2009:Nil). These commitments have been included in the total exploration commitments shown above.

Advent Energy has entered into an assignment agreement in relation to the rental of the drill rig for the first well in PEP 11, for a minimum 25 day period of approximately \$11,000,000 (2009:Nil). These commitments have been included in the total exploration commitments shown above.

Forward Exchange Contract

Advent Energy has entered into several forward exchange contracts, which mature within 3 month after year end totalling US\$16,638,853.

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

2010
\$

2009
\$

28. Parent Entity Disclosures

Financial Position

Assets

Current assets	752,804	2,291,765
Non-current assets	6,522,598	3,540,523
Total asset	<u>7,275,402</u>	<u>5,832,288</u>

Liabilities

Current liabilities	286,664	156,633
Non-current liabilities	3,767	1,684
Total liabilities	<u>290,431</u>	<u>158,317</u>

Equity

Issued Capital	11,808,203	8,412,535
Retained earnings	(4,968,216)	(2,852,231)
<u>Reserves</u>		
Option Reserve	144,984	113,667
Total equity	<u>6,984,971</u>	<u>5,673,971</u>

Financial Performance

Profit/Loss for the year	(2,115,985)	(1,531,271)
Other comprehensive income	-	-
Total comprehensive income	<u>(2,115,985)</u>	<u>(1,531,271)</u>

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

29. Changes in Accounting Policies

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

New accounting standards and interpretations

The Group has adopted all new and revised Australian Accounting Standards and AASB Interpretations that are relevant to its operations and effective for reporting periods beginning on 1 July 2009. The following standards have had an impact on the group:

<i>New or revised requirement</i>	<i>Effective for annual reporting periods beginning/ending on or after</i>	<i>More information</i>	<i>Impact on Group</i>
<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><i>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.</i></p>	<p><i>Beginning 1 January 2009</i></p>	<p><i>This has been adopted for the year ended 30 June 2010</i></p>	<p><i>The Group has adopted the revised terminologies for presentation of its financial statements in accordance with AASB 101.</i></p>
<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><i>This standard supersedes AASB 114, Segment Reporting introducing a US GAAP approach of management reporting as part of the convergence project with FASB.</i></p>	<p><i>Beginning 1 January 2009</i></p>	<p><i>This has been adopted for the year ended 30 June 2010</i></p>	<p><i>The Group has revised its disclosure requirements in accordance with AASB 8, for the Group's operating segments, as described in Note 21.</i></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><i>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.</i></p>	<p><i>Beginning 1 January 2009</i></p>	<p><i>This has been adopted for the year ended 30 June 2010</i></p>	<p><i>The adoption of this standard had no impact on the Group.</i></p>

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

<i>New or revised requirement</i>	<i>Effective for annual reporting periods beginning/ending on or after</i>	<i>More information</i>	<i>Impact on Group</i>
<p><i>AASB 2008-1: Amendments to AASB 2 "Share Based Payments"</i></p> <p><i>The amendment clarifies that vesting conditions comprise service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment.</i></p>	<p><i>Beginning 1 January 2009</i></p>	<p><i>This has been adopted for the year ended 30 June 2010</i></p>	<p><i>The adoption of this standard had no impact on the Group.</i></p>
<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><i>This amends and clarifies the following standards AASB 101, AASB 118, AASB 127 & AASB 136 for the treatment of determining the cost of an investment in a subsidiary, jointly controlled entity or associate</i></p>	<p><i>Beginning 1 January 2009</i></p>	<p><i>This has been adopted for the year ended 30 June 2010</i></p>	<p><i>The adoption of this standard had no impact on the Group.</i></p>
<p><i>AASB 3 Business Combinations (Revised), AASB 127 Consolidated and Separate Financial Statements (Amended), AASB2008-3 Amendments to AASBs arising from AASB 3 and AASB 127</i></p> <p><i>This revision changes the application of acquisition accounting for business combinations and accounting for non - controlling interests. The revised and amended standards changes affect the valuation of non controlling interest, the accounting of transaction costs and the initial recognition and subsequent recognition of contingent considerations.</i></p>	<p><i>Beginning 1 July 2009</i></p>	<p><i>This has been adopted for the year ended 30 June 2010</i></p>	<p><i>These standards are applied prospectively and had no material impact on prior business combinations.</i></p> <p><i>The adoption has amended the accounting policy of business combinations for the Group.</i></p> <p><i>During the year, changes in ownership interests of Advent (without the change in control) has been accounted for as a transaction with owners in their capacity as owners. As such, no gain or loss or goodwill has been recognised in the statement of comprehensive income.</i></p>

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

The following Australian Accounting Standards and Interpretations have recently been issued or amended but are not yet effective and have not been adopted by the group for the year ended 30 June 2010.

<i>New or revised requirement</i>	<i>Effective for annual reporting periods beginning/ending on or after</i>	<i>More information</i>	<i>Impact on Group</i>
<i>AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project. Amendments are made to AASB 5, 8, 101, 107, 117, 118, 136 & 139.</i>	<i>Beginning 1 January 2010</i>	<i>This will be adopted for the year ending 30 June 2011.</i>	<i>Management does not anticipate any impact on adoption.</i>
<i>AASB 2009-8: Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions AASB 2. The amendments clarify the scope of AASB 2 by requiring an entity that receives goods or services in a share-based payment arrangement to account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence these two Interpretations are superseded by the amendments.</i>	<i>Beginning 1 January 2010</i>	<i>This will be adopted for the year ending 30 June 2011.</i>	<i>Management does not anticipate any impact on adoption.</i>
<i>AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]. AASB 9 simplifies the classifications of financial assets into two categories:</i> <ul style="list-style-type: none"> <i>• Those carried at amortised cost; and</i> <i>• Those carried at fair value.</i> <i>Simplifies requirements related to embedded derivatives that exist in financial assets that are carried at amortised cost, such that there is no longer a requirement to account for the embedded derivative separately.</i>	<i>Beginning 1 January 2013.</i>	<i>This will be adopted for the year ending 30 June 2014.</i>	<i>Management is yet to make an assessment on impact on adoption.</i>

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

<i>New or revised requirement</i>	<i>Effective for annual reporting periods beginning/ending on or after</i>	<i>More information</i>	<i>Impact on Group</i>
<p><i>Removes the tainting rules associated with held-to-maturity assets.</i></p> <p><i>Investments in unquoted equity instruments (and contracts on those investments that must be settled by delivery of the unquoted equity instrument) must be measured at fair value. However, in limited circumstances, cost may be an appropriate estimate of fair value.</i></p>			
<p><i>AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues.</i></p> <p><i>Clarifies that rights options or warrants to acquire a fixed number of an entities own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro rata to all existing owners of the same class of its own non-derivative equity instruments.</i></p>	<i>Beginning 1 February 2010</i>	<i>This will be adopted for the year ending 30 June 2011.</i>	<i>Management does not anticipate any impact on adoption.</i>
<p><i>AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052].</i></p> <p><i>AASB 2009-12 makes amendments to a number of Standards and Interpretations. In particular, it amends AASB 8 Operating Segments to require an entity to exercise judgement in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures.</i></p> <p><i>It also makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRSs by the IASB.</i></p>	<i>Beginning 1 January 2011</i>	<i>This will be adopted for the year ending 30 June 2012.</i>	<i>Management does not anticipate any impact on adoption.</i>
<p><i>Revised AASB 124: Related Party Disclosures (December 2009): Related</i></p>	<i>Beginning 1 January 2011</i>	<i>This will be adopted for</i>	<i>Management does not anticipate any impact</i>

Notes to the Financial Statements for the year ended 30 June 2010

MEC Resources Ltd and its controlled subsidiaries

<i>New or revised requirement</i>	<i>Effective for annual reporting periods beginning/ending on or after</i>	<i>More information</i>	<i>Impact on Group</i>
<i>Party Disclosures (December 2009). Simplifies the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition of a related party.</i>		<i>the year ending 30 June 2012.</i>	<i>on adoption.</i>
<i>Interpretation 19: Extinguishing Financial Liabilities with Equity Instruments. Requires the extinguishment of a financial liability by the issue of equity instruments to be measured at fair value (preferably using the fair value of the equity instrument issued) with the difference between the fair value of the instrument and the carrying value of the liability extinguished being recognised in profit or loss. The Interpretation does not apply where the conversion terms were included in the original contract (such as in the case of a convertible debt) or to common control transactions.</i>	<i>Beginning 1 July 2010</i>	<i>This will be adopted for the year ending 30 June 2011.</i>	<i>Management does not anticipate any impact on adoption.</i>
<i>AASB 2010-3 Amendments to Australian Accounting Standards arising from the Annual Improvements Project: Amendments to AASB 3, AASB 7, AASB 121, AASB 128, AASB 131, AASB 132 & AASB 139.</i>	<i>Beginning 1 July 2010</i>	<i>This will be adopted for the year ending 30 June 2011.</i>	<i>Management does not anticipate any impact on adoption.</i>
<i>AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project: Amendments to AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13</i>	<i>Beginning 1 July 2011</i>	<i>This will be adopted for the year ending 30 June 2012.</i>	<i>Management does not anticipate any impact on adoption.</i>

Directors Declaration

MEC Resources Ltd and its controlled subsidiaries

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 22 to 63, 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 2010 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 Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
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.

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

Director



.....
David Breeze
Executive Director

Dated this 24th Day of August 2010

Independent Auditor's Report to the Members of MEC Resources Limited

Report on the Financial Report

We have audited the accompanying financial report of MEC Resources Limited, which comprises the statement of financial position as at 30 June 2010, 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 64.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian Accounting Standards ensures that the financial report, comprising the consolidated financial statements and notes, complies 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 entity'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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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*.

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu

Auditor's Opinion

In our opinion:

- (a) the financial report of MEC Resources Limited 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 2010 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 director's report for the year ended 30 June 2010. 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.

Auditor's Opinion

In our opinion the Remuneration Report of MEC Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Acts 2001*.



DELOITTE TOUCHE TOHMATSU



Chris Nicoloff
Partner
Chartered Accountants
Perth, 24 August 2010

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 19th August 2010.

1. Substantial Shareholder

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

Shareholder	Shares	%
David Breeze	10,183,654	8.54

2. Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	410	194,087	0.16
1,001 – 5,000	405	1,206,801	1.01
5,001 – 10,000	523	4,732,296	3.97
10,001 – 100,000	1155	41,642,266	34.94
100,001 and over	178	71,408,344	59.91
	2671	119,183,794	100.00

3. (a) Distribution of Listed Optionholders

Range of Holding	Optionholders	Number Ordinary Shares	%
1 – 1,000	24	11,875	0.02
1,001 – 5,000	49	146,816	0.29
5,001 – 10,000	35	256,980	0.50
10,001 – 100,000	316	11,824,145	23.07
100,001 and over	82	39,012,817	76.12
	506	51,252,533	100.00

3. (b) Distribution of Unlisted Optionholders

Range of Holding	Optionholders	Number of Options	%
MEC Resources			
10,001 to 100,000	3	130,000	1.24
100,001 and over	10	10,323,332	98.76
	13	10,453,332	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	5,500,000	100.00
	4	5,500,000	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

Shares - Number of Shares free of escrow	119,183,794
	Total Shares
	<u>119,183,794</u>
Options	
Number of Employee options not subject to Escrow (Listed)	51,252,633
Number of Employee options not subject to Escrow (Not Listed)	12,189,999
	Total Options
	<u>64,072,632</u>

7. Tenements and Interests Held

Permit Details	Interest Held	Entity
Petroleum Exploration Permit 386	100%^	Advent Energy
Petroleum Exploration Permit 11	25%	Advent Energy
Petroleum Exploration Permit 325	8.3%	Advent Energy
Retention Lease 1	100%	Advent Energy

^ The EP 386 permit is currently the subject of a renewal application by Advent Energy to the Department of Mines and Petroleum for a renewed term.

Additional Securities Exchange Information

MEC Resources Ltd and its controlled subsidiaries

8. Twenty Largest Shareholders

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

Name	Number of ordinary fully paid shares	% held of issued ordinary capital
Grandbridge Ltd	9,747,362	8.18
Breeze David	6,234,438	5.23
Merrill Lynch Aust Nom PL	5,190,600	4.36
Citicorp Nom PL	4,209,997	3.53
Trandcorp PL	3,849,216	3.23
Lim Chin Tong	3,434,350	2.88
Ming Ding Gui	2,000,000	1.68
Pado John Thomas	925,186	0.78
Websdale Antony Brian	800,000	0.67
Moore Rhonda Kate	666,667	0.56
Edward YI Financial Services	630,000	0.53
Avatar Energy PL	625,000	0.52
Emsdale Holdings PL	600,000	0.50
Pasitschnyk Denys	578,333	0.49
Comsec Nom PL	547,000	0.46
Avco PL	511,250	0.43
Birch Lawrence M and JF	464,850	0.39
Tan Biau Luan	461,000	0.39
Cyl Trading PL	460,000	0.39
Cangemi Joseph Anthony	400,135	0.34
	42,335,384	35.54

Additional Securities Exchange Information

MEC Resources Ltd and its controlled subsidiaries

8. Twenty Largest Listed Option Holders (as at 19 August 2010)

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	14.26
Trandcorp PL	5,773,824	11.27
Merrill Lynch Aust Nom PL	4,725,144	9.22
Citicorp Nom PL	3,000,000	5.85
Lim Chin Tong	2,062,500	4.02
Healy Robert Anthony	2,045,000	3.99
Breeze David	1,759,404	3.43
Dean Heather Lynette	517,400	1.01
David E Perks and Assoc PL	500,000	0.98
Gutierrez Joe	347,750	0.68
Birch Lawrence M and JF	319,125	0.62
Sargent Ian	287,436	0.56
Sykes Frederick and J	275,000	0.54
Lee Biau Luan and Patricia	273,375	0.53
Cottle Geoffrey Mark	250,000	0.49
Sledmont PL	250,000	0.49
Ryan Timothy John	250,000	0.49
Scanlon Damian	242,250	0.47
Sykes Jacqueline and F	225,000	0.44
Chin Peter K and A C M	225,000	0.44
	30,638,730	59.78