
MEC RESOURCES LTD

ACN 113 900 020

Appendix 4D
Half Year Financial Report
For the half year ended 31 December 2009

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MEC Resources Ltd and its controlled entities

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Company Information

Directors

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

Company Secretary

Deborah Ambrosini

Registered Office

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NORTH PERTH WA 6006

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Auditor

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BGC Centre
Level 7,
28 The Esplanade
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Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

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

Australian Business Number

44 113 900 020

Directors' Report (continued)

MEC Resources Ltd and its controlled entities

The directors of MEC Resources Ltd submit herewith the financial report for the half year ended 31 December 2009. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

H Goh

D L Breeze

K O Yap

C T Lim

S Yap (resigned 20 August 2009)

Review of Operations

- Operating loss for the entity after tax for the half-year ended 31 December 2009 was \$361,784 (2008: \$2,603,318).
- MEC Resources Ltd successfully completed a Shareholder Share Purchase Plan on 2nd October 2009 which raised \$2,708,000.
- MEC Resources Ltd investee Advent Energy Ltd lodged environmental approval documents including *EPBC Act* Referrals for its exploration program in PEP11 in the offshore Sydney Basin, off the NSW coast. To the end of 2009, approval for the pre-drilling site survey component was received from relevant regulatory authorities.
- MEC Resources Ltd became a substantial shareholder of BPH Corporate Ltd (ASX: BPH), holding a 7.30% interest as at 24 December 2009.
- MEC Resources Ltd investee Advent Energy Ltd upgraded the commercial potential of EP386 and RL1 in the onshore Bonaparte Basin in Western Australia and Northern Territory (respectively). A review of well completion reports and drill stem testing data from Advent's 100% owned EP386 and RL1 permits demonstrated considerable upside potential in the area if formation damage can be avoided which should enable commercial flow rates to be achieved from the existing gas accumulations. Furthermore, strong evidence was found for the presence of stratigraphic traps associated with the existing gas discoveries that could provide additional upside potential to the hydrocarbon resources/reserves previously identified within the EP386 and RL1 areas.
- MEC Resources Ltd investee Advent Energy Ltd entered into an exclusive option deed with BPH Corporate Ltd (formerly BioPharmica Limited). The option gives BPH Corporate the opportunity to acquire between 9.7% and 19.4% of Advent's share capital at 50c per share.

Subsequent Events

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

Directors' Report (continued)

MEC Resources Ltd and its controlled entities

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.

Auditor's Independence

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

Signed in accordance with a resolution of the directors.

On behalf of the Directors

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

D L Breeze
Executive Director
PERTH, 18 February 2010

AUDITOR'S INDEPENDENCE DECLARATION

As lead auditor for the review of MEC Resources Limited for the half year ended 31 December 2009, I declare that to the best of my knowledge and belief there have been:

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

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



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth, Western Australia this 18th day of February 2010.

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Directors' Declaration

MEC Resources Ltd and its controlled entities

In accordance with a resolution of the directors of MEC Resources Ltd, I state that:

In the opinion of the directors:

1. The financial statements and notes of the consolidated entity, as set out on pages 5 to 12 are in accordance with the Corporations Act 2001:
 - a) Comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001; and
 - b) give a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date.
2. There are reasonable grounds to believe that the consolidated entity will be able to pay its debts as and when they become due and payable.

On behalf of the Board

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

D L Breeze
Executive Director
PERTH, 18 February 2010

Condensed Statement of Comprehensive Income

for the half year ended 31 December 2009

MEC Resources Ltd and its controlled entities

	Note	Consolidated	
		31 December 2009	31 December 2008
		\$	\$
Revenue			
Revenue from ordinary activities	4	39,586	76,846
Unrealised profit/(loss) on fair value adjustments	4	808,699	(1,529,203)
Administration expenses		(176,571)	(121,558)
Consulting and legal expenses		(402,362)	(262,070)
Management services expense		(173,520)	(173,520)
Employee Benefits expense		(279,607)	(333,422)
Research and Development		-	-
Insurance expenditure		(15,460)	(13,688)
Other expenses		(169,389)	(137,292)
Prospectus expense		-	(4,775)
Traveling expense		(48,242)	(104,636)
Loss before income tax		(416,866)	(2,603,318)
Income tax expense		-	-
Loss from continuing operations		(416,866)	(2,603,318)
Other Comprehensive Income		-	-
Total Comprehensive Income for the period	4	(416,866)	(2,603,318)
Loss attributable to non-controlling interest		(55,082)	(430,426)
Loss attributable to members of the parent entity		(361,784)	(2,172,892)
Total Comprehensive Income attributable to non-controlling interest		(55,082)	(430,426)
Total Comprehensive Income attributable to parent		(361,784)	(2,172,892)
Earnings Per Share -			
Basic and Diluted (cents per share)		(0.31)	(2.05)

The accompanying notes form part of these financial statements.

Condensed Statement of Financial Position

as at 31 December 2009

MEC Resources Ltd and its controlled entities

		Consolidated	
		31 December 2009	30 June 2009
		\$	\$
Current Assets			
Cash and cash equivalents	5	1,450,360	1,480,629
Trade and other receivables		57,350	43,382
Other current assets		150,719	178,063
Total Current Assets		1,658,429	1,702,074
Non-Current Assets			
Other non-current assets		22,673	22,673
Capitalised Exploration Costs		2,622,072	2,617,507
Financial Assets		3,521,234	817,013
Property, plant & equipment		2,708	4,378
Total Non-Current Assets		6,168,687	3,461,571
Total Assets		7,827,116	5,163,645
Current Liabilities			
Trade and other payables		243,753	348,086
Short-term provisions		100,718	101,971
Total Current Liabilities		344,471	450,057
Non - Current Liabilities			
Financial Liabilities		585,222	572,658
Total Non - Current Liabilities		585,222	572,658
Total Liabilities		929,693	1,022,715
Net Assets		6,897,423	4,140,930
Equity			
Issued Capital	6	11,465,914	8,412,535
Option Reserve		262,310	219,953
Accumulated losses		(5,039,765)	(4,677,981)
Non Controlling Interests		209,024	186,423
Total Equity		6,897,423	4,140,930

The accompanying notes form part of these financial statements.

Condensed Statement of Changes in Equity

for the half year ended 31 December 2009

MEC Resources Ltd and its controlled entities

Consolidated	Ordinary Share Capital \$	Accumulated losses \$	Options \$	Total Parent interests	Non- Controlling Interest \$	Total Equity \$
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	-	(2,172,892)	-	(2,172,892)	-	(2,172,892)
Minority Equity Interest	-	-	-	-	(430,426)	(430,426)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(2,172,892)	-	(2,172,892)	(430,426)	(2,603,318)
Shares issued during the financial period	1,741,256	-	-	1,741,256	-	1,741,256
Options issued during the financial period	-	-	123,141	123,141	-	123,141
Balance at the half year ended 31 December 2008	8,412,534	(3,493,852)	153,031	5,071,713	397,476	5,469,189
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	-	(361,784)	-	(361,784)	-	(361,784)
Minority Equity Interest	-	-	-	-	(55,082)	(55,082)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(361,784)	-	(361,784)	(55,082)	(416,866)
Shares issued during the financial period	2,708,000	-	-	2,708,000	77,623	2,785,623
Options exercised during the financial period	345,379	-	-	345,379	-	345,379
Options issued during the financial period	-	-	42,357	42,357	-	42,357
Balance at the half year ended 31 December 2009	11,465,914	(5,039,765)	262,310	6,688,459	209,024	6,897,423

The accompanying notes form part of these financial statements.

Condensed Statement of Cash Flows

for the half year ended 31 December 2009

MEC Resources Ltd and its controlled entities

	Consolidated	
Note	31 December 2009 \$	31 December 2008 \$
<i>Cash Flows From Operating Activities</i>		
Receipts from customers	-	-
Payments to suppliers and employees	(1,187,323)	(1,190,123)
Interest received	39,586	71,389
Net cash used in operating activities	(1,147,737)	(1,118,734)
<i>Cash Flows From Investing Activities</i>		
Payment for Property, Plant and Equipment	-	(783)
Amounts loaned to other entities	(58,012)	(243,863)
Payment for investments	(1,895,522)	-
Net cash used in investing activities	(1,953,534)	(244,646)
<i>Cash Flows From Financing Activities</i>		
Proceeds from share issue	3,071,002	1,741,256
Interest and finance costs paid	-	(205)
Net cash provided by financing activities	3,071,002	1,741,051
<i>Net increase (decrease) in Cash Held</i>	(30,269)	377,671
<i>Cash At the Beginning Of The Period</i>	1,480,629	1,966,361
<i>Cash At The End Of The Period</i>	5 1,450,360	2,344,032

The accompanying notes form part of these financial statements

Notes to the Financial Statements

for the half year ended 31 December 2009

MEC Resources Ltd and its controlled entities

1. CORPORATE INFORMATION

The financial report of MEC Resources Ltd (the company) and its controlled entities for the half-year ended 31 December 2009 was authorised for issue in accordance with a resolution of the directors on 18 February 2010.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The half-year financial report should be read in conjunction with the Annual Financial Report of MEC Resources Ltd as at 30 June 2009.

It is also recommended that the half-year financial report be considered together with any public announcements made by MEC Resources Ltd and its controlled entities during the half-year ended 31 December 2009 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001.

(a) Basis of Preparation

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

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

Reporting Basis and Conventions

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

(b) Significant Accounting Policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2009, except for the adoption of amending standards mandatory for annual periods beginning on or after 1 July 2009 as described in Note 2(c).

Notes to the Financial Statements (continued)

for the half year ended 31 December 2009

MEC Resources Ltd and its controlled entities

(c) New standards and Interpretations

Changes in Accounting Policies and Disclosures

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

Significant new and revised standards and interpretations effective for the current financial reporting period that are relevant to the consolidated entity are:

- AASB 3 Business Combinations
- AASB 8 Operating Segments
- AASB 101 Presentation of Financial Statements
- AASB 127 Consolidated and Separate Financial Statements

The adoption of AASB 3 and AASB 127 will change the accounting policy of the group for future acquisitions and changes in ownership interests. These standards are applied prospectively and had no material impact on prior combinations.

AASB 8 has replaced AASB 114 Segment Reporting upon its effective date. The Group concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. A narrative description has been made in the notes to the financial report.

The revised AASB 101 separates owner and non-owner changes in equity. As a consequence the statement of comprehensive income has been presented by the consolidated entity and related disclosures have been made in the half year financial report.

Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by the consolidated entity for the half year ending 31 December 2009. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

3. SEGMENT INFORMATION

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the 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 the manner location of the exploration permit. 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.

The group operates in three principal geographic areas and these are offshore New South Wales, Exmouth Region of Western Australia and Eastern Kimberley Region.

Notes to the Financial Statements (continued)

for the half year ended 31 December 2009

MEC Resources Ltd and its controlled entities

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.

4. REVENUE, INCOME AND EXPENSES

	Consolidated	
	31 December 2009 \$	31 December 2008 \$
<i>Revenue</i>		
Consulting Fees	-	5,457
Interest revenue : other entities	39,586	71,389
<i>Total revenue</i>	39,586	76,846
<i>Other income</i>		
Unrealised gains/(losses) on financial investments	808,699	1,529,203
	808,699	1,529,203

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2009 \$	31 December 2008 \$
For the purpose of the half-year condensed cash flow statement, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	1,450,360	2,344,032
	1,450,360	2,344,032

6. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2009 \$	30 June 2009 \$
Ordinary shares (i)	11,465,914	8,412,535
	11,465,914	8,412,535

Notes to the Financial Statements (continued)

for the half year ended 31 December 2009

MEC Resources Ltd and its controlled entities

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

	Number	\$
Movement in ordinary shares on issue		
As at 1 July 2009	105,897,963	8,412,535
Shares released from escrow 17 July 2009	2,000,000	-
Issued 5 October 2009 as part of MEC Resources Limited rights issue	7,104,104	2,708,000
Conversion of options	1,705,476	345,379
Balance as at 31 December 2009	116,707,543	11,465,914

7. Contingent Liabilities

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

8. Commitments

In order to maintain an interest in the exploration permits in which the Company is involved, the Company is committed to meet the conditions under which the permits were granted. The Company is in advanced negotiations with a drilling rig supplier. Exploration expenditure is estimated to be \$25.5M and will be refined as primary contracts are entered into.

9. Events after the Balance Sheet Date

On 5 January 2010 MEC Resources Ltd increased its investment in investee company BPH Corporate Ltd ("BPH") by participating in BPH's second placement offer. MEC increased its investment by \$900,000 taking its total investment to \$2,795,522.

On 18th January 2010 MEC Resources Ltd disposed of part of its investment in Central Petroleum Ltd ("CTP"). All shares were sold on market while the options to purchase shares in CTP were retained. MEC's investee company Advent Energy Ltd continued to hold its shares and options in CTP.

On 6 January 2010 BPH initiated its investment option with Advent Energy Ltd. Under the investment option BPH has the opportunity to acquire between 9.7% and 19.4% of Advent's share capital at 50C per share. A total of \$7M has been advanced to Advent Energy Ltd.

A review of the market value of the Company's investments in other listed entities that it held at 31 December 2009 has been performed at the reporting date. An unrealised loss of \$1,213,280 on the carrying value of these investments has been noted since reporting date to signing date. The movement in these assets is wholly attributable to the recent fluctuations of the share market. The carrying value of these assets will be reviewed and amended if required at 30 June 2010.

On 10 February 2010 MEC Resources Ltd raised an additional \$200,000 through a sophisticated investor placement. A total of 666,667 fully paid ordinary shares were issued.



Chartered Accountants
& Business Advisers

INDEPENDENT AUDITOR'S REVIEW REPORT

TO THE MEMBERS OF MEC RESOURCES LTD

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MEC Resources Ltd, which comprises the condensed statement of financial position as at 31 December 2009, and the condensed statement of comprehensive income, condensed statement of changes in equity and condensed statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2009 or from time to time during the half year ended on that date.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of an Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MEC Resources Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

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Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Conclusion

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

- (a) giving a true and fair view of the consolidated entity's financial position as at 31 December 2009 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.



PKF
Chartered Accountants



Chris Nicoloff
Partner

Dated at Perth, Western Australia this 18th day of February 2010.

Appendix 4D
Half year report

MEC Resources Limited	ACN 113 900 020
Half Year ended 31 December 2009	
(corresponding period half year ended 31 December 2008)	

Results for announcement to the market

\$A'000

Revenues from ordinary activities	Down	48%	to	39
(Loss) from ordinary activities after tax attributable to members	Down	83%	to	(361)
Net (loss) for the period attributable to members	Down	83%	to	(361)
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		
Loss before tax / revenue		
Consolidated (loss) from ordinary activities before tax as a percentage of revenue	(1,053)%	(3,388)%
Loss after tax / equity interests		
Consolidated net (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(3.13)%	(25.82)%

	Current period	Previous corresponding Period
NTA Backing		
Net tangible asset backing per ordinary security	5.8 cps	5.1 cps