MEC Resources

Appendix 4D -Half year report

Results for announcement to the market

Name of Entity	MEC Resources Limited
ABN	44 113 900 020
Half Year Ended	31 December 2013
Previous Corresponding Reporting Period	31 December 2012

$A'000

Revenues from ordinary activities	down	63%	to	38
(Loss) from ordinary activities after tax attributable to members	down	34%	to	(666)
Net (loss) for the period attributable to members	down	34%	to	(666)

Dividends (distributions)	**Amount per security**	**Franked amount per security**
Final dividend Interim dividend	Nil	Nil
Previous corresponding period	N/A	N/A

Please refer to attached accounts for commentary on the results

Other notes to the condensed financial statements

Ratios	**Current period**	**Previous corresponding Period**
Loss before tax / revenue Consolidated (loss) from ordinary activities before tax as a percentage of revenue	(1772.26)%	(493.18)%
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	(2.67)%	(2.0)%

NTA Backing	**Current period**	**Previous corresponding Period**
Net tangible asset backing per ordinary security	21.1 cps	23.2 cps

The operating loss for the consolidated entity after tax for the half- year ended 31 December 2013 was $934,378 (2012: $741,306).

The net assets of the consolidated entity have decreased by $911,686 to $32,777,348 at 31 December 2013.

Developments during the year included:

- MEC investee, Advent Energy Limited (Advent), through wholly owned subsidiary Onshore Energy Pty Ltd's application to the Western Australian Department of Mines & Petroleum, successfully obtained a suspension of the condition requiring the completion of the EP386 Year 2 work until 31 March 2015.

- The Australian Council of Learned Academies (ACOLA) released a report entitled *Engineering energy: unconventional gas production, as a study of shale gas in Australia*. The report independently verified the potential of Advent's onshore Bonaparte Basin acreage (EP386 and RL1) to possess significant recoverable shale gas volumes. Advent has previously advised of a 9.8 Tcf (Best estimate) prospective resource estimate for the shale gas potential present in its 100% owned EP386 and RL1. The Low Estimate and High Estimate of prospective resources are 1.9 and 25.4 Tcf respectively.

- The legal dispute between Fugro Survey Pty Ltd, RPS Energy Pty Ltd and Asset Energy Pty Ltd (wholly owned subsidiary of Advent Energy) was settled at a court appointed mediation. The dispute arose over performance and fees in connection with pre-drilling site survey works conducted by Fugro Survey Pty Ltd at PEP11, offshore Sydney Basin, in 2010. Asset Energy Pty Ltd settled Fugro Survey Pty Ltd's claim of $2.2 million with a payment of $100,000.

- Retention Licence 1 (RL1) in the onshore Bonaparte Basin, Northern Territory, was successfully renewed for a further five year term.

- Advent signed a non-binding Letter Of Intent (LOI) with CO2 Group subsidiary Western Australian Resources Limited (WARL) for the potential future supply of gas to WARL's proposed aquaculture project in northern Australia. The LOI provides an initial framework for discussion, information sharing and negotiation towards a possible gas supply agreement by the fourth quarter of 2014. This timeframe corresponds with WARL's intended feasibility studies and financial investment decision timetable.

Contents

MEC Resources Ltd and its controlled entities

Company Information

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

Company Secretary
Deborah Ambrosini

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

Share Registry
Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

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

Australian Business Number
44 113 900 020

The directors of MEC Resources Ltd ("**MEC Resources**") submit herewith the financial report for the half year ended 31 December 2013. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

Directors

The names of the directors of the company during or since the end of the period are:
H Goh
D L Breeze
K O Yap
D Ambrosini

Review of Operations

- Operating loss for the entity after tax for the half-year ended 31 December 2013 was $934,378 (2012: $741,306).

- MEC investee, Advent Energy Limited (Advent), through wholly owned subsidiary Onshore Energy Pty Ltd's application to the Western Australian Department of Mines & Petroleum, successfully obtained a suspension of the condition requiring the completion of the EP386 Year 2 work to 31 March 2015.

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Subsequent Events

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

Dividends

The Directors recommend that no dividend be paid in respect of the current period and no dividends have been paid or declared since the commencement of the period.

Auditor's Independence

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

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

On behalf of the Directors

D L Breeze
Executive Director
PERTH, 7 February 2014

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

To the directors of MEC Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2013, there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

Perth, 7 February 2014

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Directors' Declaration

MEC Resources Ltd and its controlled entities

The directors declare that:

(a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and

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

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

On behalf of the Directors

D L Breeze
Executive Director
PERTH, 7 February 2014

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2013

MEC Resources Ltd and its controlled entities

	Note	Consolidated 31 December 2013 $	 31 December 2012 $
Revenue			
Revenue from ordinary activities	4	37,594	101,051
Other gains/(losses)	4	(29,056)	426,873
Administration expenses		(126,600)	(123,493)
Consulting and legal expenses		(168,921)	(369,951)
Management services expense		(182,193)	(182,193)
Employee Benefits expense		(263,542)	(321,604)
Interest expense		(23,955)	(2,631)
Insurance expenditure		(18,575)	(23,516)
Other expenses		(100,757)	(137,537)
Traveling expense		(58,373)	(108,305)
Loss before income tax		(934,378)	(741,306)
Income tax expense		-	-
Loss from continuing operations		(934,378)	(741,306)
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		**(934,378)**	**(741,306)**
Loss attributable to non-controlling interest		(268,113)	(242,940)
Loss attributable to members of the parent entity		**(666,265)**	**(498,366)**
Total Comprehensive Loss attributable to non-controlling interest		(268,113)	(242,940)
Total Comprehensive Loss attributable to parent		**(666,265)**	**(498,366)**
Earnings Per Share -			
Basic and Diluted (cents per share)		(0.42)	(0.54)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position as at 31 December 2013

MEC Resources Ltd and its controlled entities

	Note	Consolidated 31 December 2013 $	Consolidated 30 June 2013 $
Current Assets			
Cash and cash equivalents	5	2,288,286	4,207,474
Trade receivables		129,057	114,642
Financial assets	10	44,867	44,867
Other current assets		138,384	35,357
Total Current Assets		2,600,594	4,402,340
Non-Current Assets			
Other non-current assets		22,673	22,673
Evaluation and exploration costs	11	30,403,505	30,337,044
Financial Assets	10	685,837	714,893
Property, plant & equipment		8,141	9,243
Total Non-Current Assets		31,120,156	31,083,853
Total Assets		33,720,750	35,486,193
Current Liabilities			
Trade and other payables		310,725	1,241,081
Financial Liabilities	12	538,188	470,557
Short-term provisions		84,203	82,369
Total Current Liabilities		933,116	1,794,007
Non-Current Liabilities			
Provisions		10,286	3,152
Total Non-Current Liabilities		10,286	3,152
Total Liabilities		943,402	1,797,159
Net Assets		**32,777,348**	**33,689,034**
Equity			
Issued capital	6	24,924,466	24,922,466
Option Reserve		507,025	493,767
Accumulated losses		(22,367,398)	(21,701,133)
Total Equity Attributable to Owners		3,064,093	3,715,100
Non-controlling Interest		29,713,255	29,973,934
Total Equity		**32,777,348**	**33,689,034**

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity
for the half year ended 31 December 2013

MEC Resources Ltd and its controlled entities

Consolidated	Ordinary Share Capital $	Accumulated losses $	Options $	Total attributable to owners $	Non-Controlling Interest $	Total Equity $
Balance at 1 July 2012	24,922,466	(19,655,540)	385,196	5,652,122	31,071,421	36,723,543
Loss attributable to members of the consolidated entity	-	(498,366)	-	(498,366)	(242,940)	(741,306)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(498,366)	-	(498,366)	(242,940)	(741,306)
Options issued during the financial period	-	-	32,131	32,131	33,350	65,481
Balance at the half year ended 31 December 2012	24,922,466	(20,153,906)	417,327	5,185,887	30,861,831	36,047,718
Balance at 1 July 2013	24,922,466	(21,701,133)	493,767	3,715,100	29,973,934	33,689,034
Loss attributable to members of the consolidated entity	-	(666,265)	-	(666,265)	(268,113)	(934,378)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(666,265)	-	(666,265)	(268,113)	(934,378)
Shares issued on exercise of options	2,000	-	-	2,000	-	2,000
Options issued during the financial period	-	-	13,258	13,258	7,434	20,692
Balance at the half year ended 31 December 2013	24,924,466	(22,367,398)	507,025	3,064,093	29,713,255	32,777,348

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows
for the half year ended 31 December 2013

MEC Resources Ltd and its controlled entities

	Note	Consolidated 31 December 2013 $	Consolidated 31 December 2012 $
Cash Flows From Operating Activities			
Payments to suppliers and employees		(1,764,091)	(1,170,443)
Interest received		37,589	101,051
Net cash used in operating activities		(1,726,502)	(1,069,392)
Cash Flows From Investing Activities			
Payment for Property, Plant and Equipment		(1,225)	(728)
Repayment of loans to other entities		(25,000)	-
Deferred exploration costs		(166,461)	(569,584)
Net cash used in investing activities		(192,686)	(570,312)
Net decrease in Cash Held		(1,919,188)	(1,639,704)
Cash At the Beginning Of The Period		4,207,474	7,033,662
Cash At The End Of The Period	5	2,288,286	5,393,958

The accompanying notes form part of these financial statements

1. CORPORATE INFORMATION

The financial report of MEC Resources Ltd (the company) and its controlled entities for the half-year ended 31 December 2013 was authorised for issue in accordance with a resolution of the directors on 7 February 2014.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

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

The half-year financial report should be read in conjunction with the Annual Financial Report of MEC Resources Ltd as at 30 June 2013.

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

It is also recommended that the half-year financial report be considered together with any public announcements made by MEC Resources Ltd and its controlled entities during the half-year ended 31 December 2013 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX Listing Rules.

(a) Basis of Preparation

Reporting Basis and Conventions

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

(b) Significant Accounting Policies

The half-year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2013, except for the impact of the standards interpretations below in Note 2(c). The accounting policies are consistent with Australian Accounting Standards and with International Financial Reporting Standards.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New Standards

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

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

- AASB 10 Consolidated Financial Statements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 11 Joint Arrangements and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 12 Disclosure of Interests in Other Entities and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 127 Separate Financial Statements (2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 128 Investments in Associates and Joint Ventures (2011) and AASB 2011-7 Amendments to Australian Accounting Standards arising from the consolidation and Joint Arrangements standards
- AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13
- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures – Offsetting Financial Assets and Financial Liabilities

The effects of applying these standards are described below.

- AASB 10 Consolidated Financial Statements

AASB 10 supersedes AASB 127 Consolidated and Separate Financial Statements and Interpretation 112 Consolidation – Special Purpose Entities. AASB 10 revises the definition of control and provides extensive new guidance on its application. These new requirements have the potential to affect which of the Group's investees are considered to be subsidiaries and therefore change the scope of consolidation. The requirements on consolidation procedures, accounting for changes in non-controlling interests and accounting for loss of control of a subsidiary are unchanged.

Management has reviewed its control assessments in accordance with AASB 10 and has concluded that there is no effect on the classification (as subsidiaries or otherwise) of any of the Group's investees held during the period or comparative periods covered by these financial statements.

- AASB 11 Joint Arrangements

AASB 11 replaces AASB 131 Interests in Joint Ventures and the guidance contained in a related interpretation, Interpretation 113 Jointly Controlled Entities – Non-Monetary Contributions by Venturers, has been incorporated in AASB 128 (as revised in 2011). AASB 11 deals with how a joint arrangement of which two or more parties have joint control should be classified and accounted for. Under AASB 11, there are only two types of joint arrangements – joint operations and joint ventures. The classification of joint arrangements under AASB 11 is determined based on the rights and obligations of parties to the joint arrangements by considering the structure, the legal form of the arrangements, the contractual terms agreed by the parties to the arrangement, and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint operators) have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement (i.e. joint venturers) have rights to the net assets of the arrangement.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) New standards (continued)

Previously, AASB 131 Interests in Joint Ventures contemplated three types of joint arrangements – jointly controlled entities, jointly controlled operations and jointly controlled assets. The classification of joint arrangements under AASB 131 was primarily determined based on the legal form of the arrangement (e.g. a joint arrangement that was established through a separate entity was accounted for as a jointly controlled entity).

The initial and subsequent accounting of joint ventures and joint operations is different. Investments in joint ventures are accounted for using the equity method (proportionate consolidation is no longer allowed). Investments in joint operations are accounted for such that each joint operator recognises its assets (including its share of any assets jointly held), its liabilities (including its share of any liabilities incurred jointly), its revenue (including its share of revenue from the sale of the output by the joint operation) and its expenses (including its share of any expense incurred jointly). Each joint operation accounts for the assets and, liabilities, as well as revenue and expenses, relating to its interest in the joint operation in accordance with the applicable Standards.

During the period, the Company did not hold investments in joint arrangements and consequently, the new standard did not have any impact in the interim financial report.

- AASB 12 Disclosure of Interests in Other Entities

AASB 12 is a new disclosure standard and is applicable to entities that have interests in subsidiaries, joint arrangements, associates and/or unconsolidated structured entities. In general, the application of AASB 12 would result in more extensive disclosures in the annual consolidated financial statements. However, this has not resulted in any changes to the interim financial report.

- AASB 13 Fair Value Measurement

AASB 13 clarifies the definition of fair value and provides related guidance and enhanced disclosures about fair value measurements. It does not affect which items are required to be fair-valued. AASB 13 applies prospectively for annual periods beginning on or after 1 January 2013. AASB 134 requires particular AASB 13 disclosures in the interim financial statements which are provided in Note 10 and 12.

- AASB 2012-2 Amendments to Australian Accounting Standards - Disclosures – Offsetting Financial Assets and Financial Liabilities

The Group has applied the amendments to AASB 7 "Disclosures – Offsetting Financial Assets and Financial Liabilities' for the first time in the current year. The amendments to AASB 7 require entities to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement.

The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognised in the consolidated financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Financial Position

The consolidated entity has incurred losses for the year ended 31 December 2013 of $666,265 (2012: $498,366). The consolidated entity has cash assets of $2,288,286 as at 31 December 2013 (30 June 2013: $4,207,474).

As disclosed at Note 8 the consolidated entity has total work program commitments of $20,688,500 of which $1,866,000 are to be entered into by 31 December 2014.

The consolidated entity is considering a number of alternative strategies to meet these commitments. The entity has commenced discussions with various parties exploring the availability of both debt and equity facilities. These discussions are ongoing at the date of this report.

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

Based on the alternative strategies referred to above to meet the entity's commitments and cash flow forecasts 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.

3. SEGMENT INFORMATION

Identification of reportable segments

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

The operating segments are identified by management based on their investment in exploration companies. Discrete financial information about each of these operating segments is reported to the managing director and his management team on at least a monthly basis. Currently, management's focus is on the exploration program of Advent Energy projects PEP 11 and EP 386/RL1.

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

4. REVENUE, INCOME AND EXPENSES

	Consolidated	
	31 December 2013 $	**31 December 2012 $**
Revenue		
Consulting Fees	-	671
Interest revenue : other entities	37,594	100,380
	37,594	101,051
Other gains and losses		
Net (loss)/gain on financial assets designated as fair value through profit and loss	(29,056)	426,873
	(29,056)	426,873

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2013 $	**30 June 2013 $**
For the purpose of the half-year condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	2,288,286	4,207,474
	2,288,286	4,207,474

6. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2013 $	**30 June 2013 $**
Ordinary shares (i)	25,954,615	25,952,615
Less :Capital Raising Costs	(1,030,149)	(1,030,149)
	24,924,466	24,922,466

(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 2013	155,813,150	24,922,466
Conversion of options	10,000	2,000
Balance as at 31 December 2013	155,823,150	24,924,466

7. CONTINGENT LIABILITIES

There were no contingent liabilities at balance date.

8. COMMITMENTS

Capital Commitments

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

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

	Consolidated	
	31 December 2013 $	**30 June 2013 $**
Work Program Commitments – Exploration permits		
Payable:		
Within one year	1,866,000	2,212,500
Greater than one year less than five years	18,822,500	18,688,500
Total	20,688,500	20,901,000

9. EVENTS AFTER THE BALANCE DATE

There have not been any matters or circumstances that have arisen since the end of the half year, that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years, other than as already disclosed elsewhere in this report.

10. FINANCIAL ASSETS

	Consolidated	
	31 December 2013 $	**30 June 2013 $**
Current		
Loan receivable – Grandbridge Limited	44,867	44,867
Total	44,867	44,867
Non-current		
Fair Value through Profit and Loss financial assets (a)		
Investment in Central Petroleum Ltd	472,265	501,321
Investment in BPH Energy Ltd	143,661	143,661
Available for sale financial assets (a)		
Investment in Molecular Discovery Systems Ltd	69,911	69,911
	685,837	714,893

10.FINANCIAL ASSETS (CONTINUED)

Fair Value of Financial Assets

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

Due to the application of AASB 13 this half-year, however, the company needs to disclose the fair value measurements by level of the fair value hierarchy for financial instruments that are measured at fair value on a recurring basis. The levels of the hierarchy are as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

11. CAPITALISED EXPLORATION COSTS

	Consolidated	
	31 December 2013 $	**30 June 2013 $**
Exploration expenditure capitalised		
Exploration and evaluation phases	30,403,505	30,337,044
	30,403,505	30,337,044
Reconciliation of movement during the year		
Opening balance at 1 July	30,337,044	31,694,213
Capitalised expenditure – EP 325	1,370	5,893
Capitalised expenditure – PEP 11	-	(1,928,432)
Capitalised expenditure – EP 386	65,091	565,370
Closing balance	30,403,505	30,337,044

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

Exploration costs amounting to $166,461 (2012:$569,584) have been included in cash flows from investing activities in the statement of cash flows. $100,000 was paid by Asset Energy Pty Ltd to Fugro Survey Pty Ltd in order to settle Fugro Survey's claim of $2.2 million. This amount has not been capitalised under AASB 6 Exploration for and Evaluation of Mineral Resources.

12. FINANCIAL LIABILITIES

	Consolidated	
	31 December 2013 $	**30 June 2013 $**
Loans payable		
Loan from BPH Energy Limited (i)	41,935	41,935
Loan from Grandbridge Limited (i)	494,895	427,264
Loans from other entities (i)	1,358	1,358
	538,188	470,557

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

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

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MEC Resources Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2013, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

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

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2013 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MEC Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

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

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Conclusion

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

(a) giving a true and fair view of the Group's financial position as at 31 December 2013 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.*

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

Perth 7 February 2014