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 2018
Previous Corresponding Reporting Period	31 December 2017

				$A'000
Revenues from ordinary activities	Up	34%	to	54
(Loss) from ordinary activities after tax attributable to members	Up	99%	to	(673)
Net (loss) for the period attributable to members	Up	99%	to	(673)

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	(1239.77)%	(835.62)%
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	(2.34)%	(0.12)%

NTA Backing	**Current period**	**Previous corresponding Period**
Net tangible asset backing per ordinary security	2.97cps	11.1 cps

The operating loss for the consolidated entity after tax for the half- year ended 31 December 2018 was $719,058 (2017: $392,185).

The net assets of the consolidated entity have decreased by $531,441 to $10,023,358 at 31 December 2018.

Developments during the year included:

MEC Resources Ltd

- On 2 July 2018 MEC Resources announced that the Company would hold a general meeting to consider the conditional Farmin agreement between Asset Energy Pty Ltd and RL Energy Pty Ltd. The meeting held on 31 July 2018 and was to consider the benefits of this exploration activity in PEP11. In accordance with Listing Rule 10.1 the Notice of Meeting included an Independent Experts Report ("IER") which was obtained to assess the fairness and reasonableness of the transaction to MEC shareholders. The transaction was independently verified as fair and reasonable. The meeting was held on 31 July 2018 with 61% of the shareholders who voted at the meeting voting in favour of the resolution.

- On 24 July 2018 MEC Resources announced that a board restructure had occurred. Mr Michael Sandy replaced Mr Goh Hock as Chairman of MEC while both Mr Matthew Battrick and Mr Andrew Bald assumed the role of Non-Executive Directors replacing Mr KO Yap, Mr Darryl Moore and Mr Heng Yu.

- On 5 October 2018 Ms Deborah Ambrosini was appointed as Managing Director of MEC Resources.

- During the half year MEC Resources increased its investment into Advent Energy Ltd to 50.00%.

- On 9 July 2018 MEC announced it had allotted 9,696,476 shortfall shares to various parties under the non-renounceable rights issue announced 5 May 2018.

Advent Energy Limited

- The conditional farmin agreement between Asset Energy Pty Ltd and RL Energy Pty Ltd was registered as a dealing by the National Offshore Petroleum Titles Administrator in September 2018.

- On 28 September 2018 Advent Energy signed a binding and exclusive term sheet for the majority sale of Onshore Energy to Bonaparte Petroleum.

- In October 2018 Advent Energy signed a conditional binding and exclusive term sheet with Bonaparte Petroleum for the sale of 100% owned subsidiary Onshore Energy Pty Ltd.

- On 15 October 2018 Asset Energy issued PEP 11 Joint Venture partner Bounty Oil and Gas with a formal notice exercising its rights under the Joint Operating Agreement to require Bounty Oil and Gas to completely withdraw from the Joint Operating Agreement and the PEP 11 permit in lieu of default of in payment of outstanding invoices. However, it was announced in February 2019 that agreement had been reached on all outstanding matters. Bounty is to remain a member of the Joint Venture.

- On 19 November 2018 Sacgasco Ltd announced that it had acquired an option to purchase 100% of RL Energy Pty Ltd. Through the agreement Sacgasco agrees to fund RL Energy in their endeavours to advance the farm in works for PEP 11. However, it was announced in February 2018 the Sacgasco would not proceed with the option to purchase RL Energy.

Contents

MEC Resources Ltd and its controlled entities

Company Information

Directors
Michael Sandy – Non-Executive Chairman (appointed 24 July 2018)
Andrew Bald – Non-Executive Director (appointed 24 July 2018)
Matthew Battrick – Non-Executive Director (appointed 24 July 2018)
Deborah Ambrosini – Managing Director
H Goh – Non-Executive Chairman (resigned 24 July 2018)
K O Yap – Non-Executive Director (resigned 24 July 2018)
H Yu – Non-Executive Director (resigned 24 July 2018)
D Moore – Non-Executive Director (resigned 24 July 2018)
M Battrick- Non-Executive Director (resigned as alternate for Mr D Moore 24 July 2018)

Company Secretary
Deborah Ambrosini

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Level 28
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Melbourne Victoria

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E-mail: info@mecresources.com.au

Auditor
Moore Stephens
Level 15, Exchange Tower
2 The Esplanade
PERTH WA 6000

Share Registry
Boardroom Pty Ltd
225 George St
SYDNEY NSW 2000

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 entities

The directors of MEC Resources Ltd ("**MEC Resources**") submit herewith the financial report for the half year ended 31 December 2018. 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:
M Sandy (appointed 24 July 2018)
D Ambrosini
A Bald (appointed 24 July 2018)
M Battrick (appointed 24 July 2018)
H Goh (resigned 24 July 2018)
K O Yap (resigned 24 July 2018)
H Yu (resigned 24 July 2018)
D Moore (resigned 24 July 2018)

Review of Operations

Operating loss for the entity after tax for the half-year ended 31 December 2018 was $719,058 (2017: $392,185).

MEC Resources Ltd

- On 2 July 2018 MEC Resources announced that the Company would hold a general meeting to consider the conditional Farmin agreement between Asset Energy Pty Ltd and RL Energy Pty Ltd. The meeting held on 31 July 2018 and was to consider the benefits of this exploration activity in PEP11. In accordance with Listing Rule 10.1 the Notice of Meeting included an Independent Experts Report ("IER") which was obtained to assess the fairness and reasonableness of the transaction to MEC shareholders. The transaction was independently verified as fair and reasonable. The meeting was held on 31 July 2018 with 61% of the shareholders who voted at the meeting voting in favour of the resolution.

- On 24 July 2018 MEC Resources announced that a board restructure had occurred. Mr Michael Sandy replaced Mr Goh Hock as Chairman of MEC while both Mr Matthew Battrick and Mr Andrew Bald assumed the role of Non-Executive Directors replacing Mr KO Yap, Mr Darryl Moore and Mr Heng Yu.

- On 5 October 2018 Ms Deborah Ambrosini was appointed as Managing Director of MEC Resources.

- During the half year MEC Resources increased its investment into Advent Energy Ltd to 50.00%.

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Advent Energy Limited

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- On 28 September 2018 Advent Energy signed a binding and exclusive term sheet for the majority sale of Onshore Energy to Bonaparte Petroleum.

- In October 2018 Advent Energy signed a conditional binding and exclusive term sheet with Bonaparte Petroleum for the sale of 100% owned subsidiary Onshore Energy Pty Ltd.

- On 15 October 2018 Asset Energy issued PEP 11 Joint Venture partner Bounty Oil and Gas with a formal notice exercising its rights under the Joint Operating Agreement to require Bounty Oil and Gas to completely withdraw from the Joint Operating Agreement and the PEP 11 permit in lieu of default of in payment of outstanding invoices.

- On 19 November 2018 Sacgasco Ltd announced that it had acquired an option to purchase 100% of RL Energy Pty Ltd. Through the agreement Sacgasco agrees to fund RL Energy in their endeavours to advance the farm in works for PEP 11.

Subsequent Events

- On 12 February 2019 it was announced that Asset Energy and Bounty Oil and Gas had resolved all outstanding matters relating to the Baleen 2D HR Seismic Survey conducted in April 2018.

- On 11 February 2019 Asset Energy applied to the National Offshore Petroleum Titles Administrator (NOPTA) for a variation to the PEP11 work commitment. Pending the application's approval, the variation will enable the proposed 500 square kilometre 3D seismic survey – the farmin program to be undertaken by farminee RL Energy Pty Ltd – to be undertaken in the forthcoming permit year

- On 8 February 2019 Advent Energy commenced a capital raising of up to $2M at 5c per share. The raising will close on 4 March 2019.

- On the 7 February 2019 it was announced that Sacgasco would not proceed with the option to acquire RL Energy Pty Ltd.

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 Ambrosini

D Ambrosini
Managing Director
MELBOURNE,
26 February 2019

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307c OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF MEC RESOURCES LIMITED

As lead auditor for the review of MEC Resources Limited for the half-year ended 31 December 2018, 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.

Neil Pace | Moore Stephens

NEIL PACE
PARTNER

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 26th day of February 2019

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 Ambrosini
Managing Director
MELBOURNE, 26 February 2019

Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2018

MEC Resources Ltd and its controlled entities

	Note	Consolidated 31 December 2018 $	Consolidated 31 December 2017 $
Revenue			
Revenue from ordinary activities	4	54,289	40,470
Other gains/(losses)	4	-	-
Other income	4	284,915	79,158
Administration expenses		(72,928)	(33,849)
Consulting and legal expenses		(301,509)	(290,613)
Employee Benefits expense		(198,270)	(119,364)
Interest expense		(875)	(1,216)
Insurance expenditure		(14,575)	(11,368)
Exploration expenditure write off		(399,278)	-
Other expenses		(57,492)	(35,703)
Traveling expense		(13,335)	(19,700)
Loss before income tax		(719,058)	(392,185)
Income tax expense		-	-
Loss from continuing operations		(719,058)	(392,185)
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		**(719,058)**	**(392,185)**
Loss attributable to non-controlling interest		(46,001)	(54,008)
Loss attributable to members of the parent entity		**(673,057)**	**(338,177)**
Total Comprehensive Loss attributable to non-controlling interest		(46,001)	(54,008)
Total Comprehensive Loss attributable to parent		**(673,057)**	**(338,177)**
Earnings Per Share -			
Basic and Diluted (cents per share)		(0.20)	(0.16)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position as at 31 December 2018

MEC Resources Ltd and its controlled entities

	Note	Consolidated 31 December 2018 $	Consolidated 30 June 2018 $
Current Assets			
Cash and cash equivalents	**5**	466,523	978,497
Trade receivables		161,057	291,336
Financial assets	**10**	511,973	465,127
Other current assets		25,044	29,474
Total Current Assets		1,164,597	1,764,434
Non-Current Assets			
Intangible assets		22,674	22,674
Evaluation and exploration costs	**11**	10,547,022	10,917,759
Financial Assets	**10**	84,275	84,275
Property, plant & equipment		4,253	1,326
Total Non-Current Assets		10,658,224	11,026,034
Total Assets		11,822,821	12,790,468
Current Liabilities			
Trade and other payables		867,766	1,290,079
Financial Liabilities	**12**	791,978	813,422
Short-term provisions		139,719	132,168
Total Current Liabilities		1,799,463	2,235,669
Total Liabilities		1,799,463	2,235,669
Net Assets		**10,023,358**	**10,554,799**
Equity			
Issued capital	**6**	28,972,606	28,784,989
Option Reserve		16,268,145	16,268,145
Accumulated losses		(37,274,833)	(36,601,776)
Total Equity Attributable to Owners		7,965,918	8,451,358
Non-controlling Interest		2,057,440	2,103,441
Total Equity		**10,023,358**	**10,554,799**

The accompanying notes form part of these financial statements.

Consolidated

	Issued Capital $	Accumulated losses $	Option Reserve $	Contribution Reserve $	Total attributable to owners $	Non-Controlling Interest $	Total Equity $
Balance at 1 July 2017	26,812,441	(26,775,213)	530,818	15,316,219	15,884,265	12,580,189	28,464,454
Loss attributable to members of the consolidated entity	-	(338,177)	-	-	(338,177)	(54,008)	(392,185)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	(338,177)	-	-	(338,177)	(54,008)	(392,185)
Shares issued during the period	593,484	-	-	-	593,484	-	593,484
Transactions with non-controlling interest	-	-	-	420,460	420,460	(389,211)	31,249
Share based payments	-	-	431	-	431	-	431
Balance at the half year ended 31 December 2017	27,405,925	(27,113,390)	531,249	15,736,679	16,560,463	12,136,970	28,697,433
Balance at 1 July 2018	28,784,989	(36,601,776)	531,466	15,736,679	8,451,358	2,103,441	10,554,799
Loss attributable to members of the consolidated entity	-	(673,057)	-	-	(673,057)	(46,001)	(719,058)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	(673,057)	-	-	(673,057)	(46,001)	(719,058)
Shares issued during the period	189,437	-	-	-	189,437	-	189,437
Capital raising costs	(1,820)	-	-	-	(1,820)	-	(1,820)
Balance at the half year ended 31 December 2018	28,972,606	(37,274,833)	531,466	15,736,679	7,965,918	2,057,440	10,023,358

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows
for the half year ended 31 December 2018

MEC Resources Ltd and its controlled entities

	Note	Consolidated	
		31 December 2018 $	**31 December 2017 $**
Cash Flows From Operating Activities			
Payments to suppliers and employees		(953,569)	(499,361)
Research and Development incentives		384,914	-
Interest received		6,568	2,485
Net cash used in operating activities		(562,087)	(496,876)
Cash Flows From Investing Activities			
Payment for PPE		(3,647)	-
Repayment of loans to other entities		-	(843)
Deferred exploration costs		(28,575)	(131,525)
Net cash used in investing activities		(32,222)	(132,368)
Cash Flows From Financing Activities			
Proceeds from share issues		82,335	619,783
Net cash used in financing activities		82,335	619,783
Net decrease in Cash Held		(511,974)	(9,461)
Cash at the Beginning Of The Period		978,497	600,601
Cash at The End Of The Period	5	466,523	591,140

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 2018 was authorised for issue in accordance with a resolution of the directors on 26 February 2019.

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

(a) Basis of preparation

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 2018.

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 2018 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX Listing Rules.

(b) Significant Accounting Policies

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements except for those as described in note 2(d) below.

(c) Financial Position

The consolidated entity has incurred losses for the half year ended 31 December 2018 of $719,058 (2017: $392,185). The consolidated entity has cash assets of $466,523 as at 31 December 2018 (30 June 2018: $978,497). The consolidated entity had a working capital deficit of $1,032,164 at 31 December 2018 (30 June 2018 deficit of $833,666).

Included in trade creditors and payables are director fee accruals of $684,766 (June 2018: $711,332). The directors have reviewed their expenditure and commitments for the Consolidated Group and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their director's fees prior to and as at the date of this report to conserve cash resources of the Company. All directors appointed on 24 July 2018 commenced

(c) Financial Position (continued)

accruing fees from 1 January 2019 at $48,000 per annum. Payment of these fees will not commence until the Company has sufficient funds.

In accordance with Director service agreements, the termination of a Director's services, either by the resignation or removal, will result in fees becoming immediately payable, including any outstanding fees owed at 31 December 2018. An agreement has been reached with previous Directors Goh Hock and KO Yap regarding the payment of their outstanding fees involving staged payments of 50% of the amount owing at the date of their resignation.

The Company's subsidiary Asset Energy Pty Ltd has applied to the National Offshore Petroleum Titles Administrator (NOPTA) to vary the work commitments of the PEP11 title. The successful variation of the PEP11 work commitments will result in a commitment to NOPTA to undertake a 500 km2 3D seismic survey in PEP11. Subject to an accepted environment plan and engagement by farm-in partner RL Energy Pty Ltd of a suitable 3D seismic survey operator the 3D seismic will likely occur within the next 12 months.

Pending contractual terms and final committed seismic survey design, the Company anticipates that all expenditure in PEP11 within the following twelve months will be borne by RL Energy Pty Ltd pursuant to the farm-in agreement dated May 2018.

Furthermore, Company subsidiary Onshore Energy Pty Ltd has applied to the Western Australian Department of Mines, Industry Regulation and Safety (DMIRS) to undertake the drilling of an exploration well and acquisition of 2D seismic data in EP386, Western Australia. The Company notes that a term sheet for the transfer of ownership of Onshore Energy Pty Ltd has been enacted with Bonaparte Petroleum Pty Ltd, and subsequently the Company anticipates that all expenditure in EP386 and RL1 in the onshore Bonaparte Basin will be borne by Bonaparte Petroleum Pty Ltd pursuant to agreement signed in September 2018.

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

Included in financial assets is a loan receivable from BPH Energy Ltd for the amount of $467,106 which includes interest to 31 December 2018. The loan became due and payable on 24 December 2016 and is currently accruing interest at a total default interest rate of 20.97% per annum. It is the Company's continuing belief that it has a strong case and is now proceeding to trial through the District Court of Western Australia to recover funds it believes are outstanding and rightly owing to it.

Based on the cash flow forecast, which include the monitoring of operational costs, the directors are satisfied that, the going concern basis of preparation is appropriate. Notwithstanding this there exists a historical liability and the Company disputes the liability for these amounts. There is no formal agreement between Grandbridge Limited, BPH Energy Ltd and the Company in respect of these amounts. Should there be an unfavourable resolution this may cast doubt on the Group's ability to continue as a going concern. The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the settlement of liabilities in the ordinary course of business. For further disclosure regarding these amounts please refer to Note 12.

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

(d) Application of New and Revised Accounting Standards

Standards and Interpretations applicable to the 31 December 2018 Interim Period

In the half year ended 31 December 2018, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half year reporting periods beginning on or after 1 July 2018.

New standards which have become effective for the financial period beginning 1 July 2018 are as follows;

- AASB 15 *Revenue from Contracts with Customers and;*
- AASB 9 Financial Instruments

As a result of their review, the Directors have determined that there is no material impact of the new and revised Standards and Interpretations on the presented financial statements of the Company. Accordingly, no retrospective adjustments were required as a result of adopting these new accounting standards.

The adoption of AASB 15 *Revenue from Contracts with Customers* and AASB 9 *Financial Instruments* has resulted in the following amendments to the Group accounting policies;

AASB 15
Revenue Recognition

There have been no significant changes to Group accounting policies in respect of revenue recognition.

AASB 9
Non-derivative financial liabilities

Interest bearing liabilities

All loans and borrowings are initially recognised at fair value, being the amount received less attributable transaction costs. After initial recognition, interest bearing liabilities are stated at amortised cost with any difference between cost and redemption value being recognised in the statement of profit or loss over the period of the borrowings on an effective interest basis.

Trade and other payables

Liabilities are recognised for amounts to be paid for goods or services received. Trade payables are settled on terms aligned with the normal commercial terms in the Group's operation.

Non-derivative financial assets

i. Classification

From 1 July 2018, the Group classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss) and
- Those to be measured at amortised cost

The classification depends on the Group's business model for managing financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be

(d) Application of New and Revised Accounting Standards (continued)

recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Group reclassifies debt instruments when and only when its business model for managing those assets changes.

ii. Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of the financial assets carried at fair value through profit or loss are expensed in profit or loss. Measurement of cash and cash equivalents and trade and other receivables, including contract assets, remain at amortised cost consistent with the comparative period.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in finance income using effective interest rate method.
- Fair value through other comprehensive income (FVOCI): Assets that are held for collecting contractual cash flows and through sale on specified dates. A gain or loss on a debt investment that is subsequently measured at FVOCI is recognised in other comprehensive income.
- Fair value through profit or loss (FVPL): Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit or loss within other gains/(losses) in the period in which it arises.

Equity Investments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other expenses in the statement of profit or loss as applicable.

(d) Application of New and Revised Accounting Standards (continued)

Non-derivative financial assets (continued)

i. Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, contract assets and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

Standards and Interpretations issued but not yet adopted by the Group

The Directors have also reviewed all of the new and revised Standards and Interpretations Issued but not yet adopted that are relevant to the Company and effective for the half year reporting periods beginning on or after 1 January 2019.

Those which may have a significant impact to the Group are set out below. The Group does not plan to adopt these standards early.

AASB 16 Leases

AASB 16 replaces the current AASB 17 Leases standard. AASB 16 removes the classification of leases as either operating leases or finance leases- for the lessee - effectively treating all leases as finance leases. Most leases will be capitalised on the balance sheet by recognising a 'right-of-use' asset and a lease liability for the present value obligation. This will result in an increase in the recognised assets and liabilities in the statement of financial position as well as a change in expense recognition, with interest and deprecation replacing operating lease expense.

Lessor accounting remains similar to current practice, i.e. lessors continue to classify leases as finance and operating leases.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1 January 2019. The Company is currently assessing the financial impact of this standard but does not expect it to be significant.

3. SEGMENT INFORMATION

Identification of reportable segments

The group has identified its operating segments based on the internal reports that are reviewed and used by the managing director and his management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources. The operating segments are identified by management based on their investment in exploration companies. Discrete financial information about each of these operating segments is reported to the managing director and his management team on at least a monthly basis. Currently, management's focus is on the exploration program of Advent Energy projects PEP 11 and EP 386/RL1. The group operates predominantly in one segment, namely investments in mining and resources. These activities are predominantly in Australia.

Accounting policies and inter-segment transactions

The accounting policies used by the group in reporting segments are the same as those contained in note 1 to the accounts and in the prior period.

4. REVENUE, INCOME AND EXPENSES

	Consolidated	
	31 December 2018 $	**31 December 2017 $**
Revenue		
Interest revenue: other entities	54,289	40,470
	54,289	40,470
Other gains and losses		
Net loss on financial assets designated as fair value through profit and loss	-	-
	-	-

	Consolidated	
Other income	**31 December 2018 $**	**31 December 2017 $**
R&D claim	284,915	50,626
Project costs recovered	-	28,532
	284,915	79,158
Expenses		
Consulting and legal expenses		
Consulting	193,610	198,847
Legal	107,899	91,766
	301,509	290,613

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2018 $	**30 June 2018 $**
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	466,523	978,497
	466,523	978,497

6. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2018 $	30 June 2018 $
Ordinary shares (i)	30,014,745	29,825,208
Less: Capital Raising Costs	(1,042,139)	(1,040,219)
	28,972,606	28,784,989

(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 2018	331,060,460	28,784,989
Shortfall shares issued under non-renounceable entitlements issue – shortfall shares	4,958,586	82,335
Shares issued as payment of consulting fees	2,222,222	40,000
Shares issued as settlement of employment liabities	3,626,778	65,282
Balance as at 31 December 2018	341,868,046	28,972,606

7. CONTINGENT ASSETS AND LIABILITIES

On 2 February 2017, the Company issued a legal proceeding out of the Supreme Court of Western Australia against Trandcorp Pty Ltd ("Trandcorp") and former Managing Director, Mr Breeze, in order to protect its interests and its confidential information. In this proceeding, the Company asserts that it is not in possession of all Company property and data under the control of Trandcorp and Mr Breeze despite contractual obligations requiring the return of this material following the termination of Trandcorp's engagement as consultant and the cessation of Mr Breeze's appointment as Managing Director of the Company in late November 2016.

The Company seeks, among other things, orders for the return of Company property and data and damages for breach of the consultancy agreement.

Mr Breeze and his associated party have filed and served a defence and counterclaim in the proceedings. The Company denies the counterclaim.

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.

8. COMMITMENTS (continued)

Group expenditure required to meet the terms of the exploration licences at the reporting date but not recognised as liabilities is as follows:

	Consolidated	
	31 December 2018 $	**30 June 2018 $**
Work Program Commitments – Exploration permits		
Payable:		
Within one year	12,750,000	-
Greater than one year less than five years	5,475,000	18,225,000
Total	18,225,000	18,225,000

Asset Energy has applied to the National Offshore Petroleum Titles Administrator (NOPTA) for a variation to the PEP11 work commitment. Pending the application's approval, the variation will enable the proposed 500 square kilometre 3D seismic survey – the farmin program to be undertaken by farminee RL Energy Pty Ltd – to be undertaken in the forthcoming permit year

9. EVENTS AFTER THE BALANCE DATE

- On 12 February 2019 it was announced that Asset Energy and Bounty Oil and Gas as resolved all outstanding matters relating to the Baleen 2D HR Seismic Survey conducted in April 2018.
- Asset Energy applied to the National Offshore Petroleum Titles Administrator (NOPTA) for a variation to the PEP11 work commitment. Pending the application's approval, the variation will enable the proposed 500 square kilometre 3D seismic survey – the farmin program to be undertaken by farminee RL Energy Pty Ltd – to be undertaken in the forthcoming permit year
- On 8 February 2019 Advent Energy commenced a capital raising of up to $2M at 5c per share. The raising will close on 4 March 2019.
- On the 7th February 2019 it was announced that Sacgasco would not proceed with the option to acquire RL Energy Pty Ltd.

10. FINANCIAL ASSETS

	Consolidated	
	31 December 2018 $	**30 June 2018 $**
Current		
Loan receivable – BPH Energy Ltd (b)	467,106	420,260
Loan receivable – Grandbridge Ltd (c)	44,867	44,867
	511,973	465,127
Non-Current		
Fair Value through Profit and Loss financial assets (a)		
Investment in BPH Energy Ltd	14,364	14,364
Investment in Molecular Discovery Systems Ltd	69,911	69,911
	84,275	84,275

Fair Value of Financial Assets

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

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

10. FINANCIAL ASSETS (continued)

(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.

(b) On 22 October 2014 MEC entered into a convertible loan agreement with BPH Energy Ltd for a maximum $200,000. Interest is charged monthly at a rate of 8.97% per annum. The funds were to be used for working capital. The loan agreement is convertible at the election of MEC. The issue price on conversion will be the higher of $0.04 cents per share and the average closing price of the Borrower Shares on the ASX over the 5 trading days immediately prior to the date of conversion. On 18 February 2016, the loan was extended to a maximum amount of $324,000. The loan became due and payable on 24 December 2016 and is currently accruing interest at a default interest rate of 20.97% per annum. On 21 July 2017, the Company withdrew its Statutory Demand against BPH Energy Ltd in an attempt to achieve global resolution of legal disputes between the Company, BPH Energy Ltd and Grandbridge Ltd. The withdrawal of the Statutory Demand by MEC should not in any way be construed as MEC resiling from the amounts it alleges are owed to it. It should be viewed as an attempt by the Board to resolve its disputes in the most commercial way possible so that the Company can focus on its core business.

Despite the attempts made by the Company, BPH did not at any time present the Company with an offer capable of acceptance to satisfy the Company's claim for monies owed pursuant to the Agreement. The Company has therefore formed the view that BPH has no desire to satisfy its claim to the monies it is owed under the Agreement. In the interests of its shareholders, the Company issued a legal proceeding out of the District Court of Western Australia to recover the monies owing pursuant to the Agreement.

On 13 December 2017, a summary judgement application, used an initial recovery step, was heard in the District Court of Western Australia following BPH Energy Ltd's non-repayment of outstanding monies. On 23 February 2018 the Company announced that it had been advised that its summary judgment was unsuccessful. The primary basis for this decision was that advice provided by the Company to its auditors indicating a potential delay in calling on funds owed from BPH Energy Ltd may arguably constitute a variation to the loan agreement. Based on the fact that this was a summary judgement application, the Company understands that the decision of the registrar is not an indication of the relative merits of either party's case rather; it is simply an acknowledgement that BPH was able to overcome the relatively low threshold to establish that it may have an arguable defence. It is the Company's continuing belief that it has a strong case and will now proceed to trial through the District Court of Western Australia to recover funds it believes are outstanding and rightly owing to it. As at reporting date the closing balance of the loan including daily interest accrued to 31 December 2018 was $467,106 (2017: $420,260).

(c) There is no formal agreement between Grandbridge Limited and the Company in respect of these amounts. Furthermore, and in an effort to set-off the Company's claim against BPH Energy Ltd, Grandbridge Limited has purported to assign the receivable of this purported loan to BPH Energy Limited. The Company disputes the assignment of the purported debt.

11. EVALUATION AND EXLORATION

	Consolidated	
	31 December 2018 $	**30 June 2018 $**
Exploration expenditure capitalised		
Exploration and evaluation phases	10,547,022	10,917,759
	10,547,022	10,917,759

Reconciliation of movement during the year

	Consolidated	
	31 December 2018 $	**30 June 2018 $**
Opening balance at 1 July	10,917,759	29,050,947
Capitalised expenditure – PEP 11	28,541	548,221
Exploration expenditure written off – PEP11	(399,278)	(18,694,026)
Capitalised expenditure – EP 386	-	12,617
Closing balance	10,547,022	10,917,759

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

Exploration costs amounting to $28,575 (2017: $131,525) have been included in cash flows from investing activities in the statement of cash flows.

The consolidated group has commitments for its exploration permits of $12,750,000 over the next 12 months from the reporting date under the terms of its application licences in order to maintain tenure.

The Company's subsidiary Asset Energy Pty Ltd has applied to the National Offshore Petroleum Titles Administrator (NOPTA) to vary the work commitments of the PEP11 title. The successful variation of the PEP11 work commitments will result in a commitment to NOPTA to undertake a 500 km2 3D seismic survey in PEP11. Subject to an accepted environment plan and engagement by farm-in partner RL Energy Pty Ltd of a suitable 3D seismic survey operator the 3D seismic will likely occur within the next 12 months.

Pending contractual terms and final committed seismic survey design, the Company anticipates that all expenditure in PEP11 within the following twelve months will be borne by RL Energy Pty Ltd pursuant to the farm-in agreement dated May 2018.

Furthermore, Company subsidiary Onshore Energy Pty Ltd has applied to the Western Australian Department of Mines, Industry Regulation and Safety (DMIRS) to undertake the drilling of an exploration well and acquisition of 2D seismic data in EP386, Western Australia. The Company notes that a term sheet for the transfer of ownership of Onshore Energy Pty Ltd has been enacted with Bonaparte

11. EVALUATION AND EXPLORATION (continued)

Petroleum Pty Ltd, and subsequently the Company anticipates that all expenditure in EP386 and RL1 in the onshore Bonaparte Basin will be borne by Bonaparte Petroleum Pty Ltd pursuant to agreement signed in September 2018.

To assist in meeting these commitments, the Group is continually seeking and reviewing potential sources of funding including farm-in and equity. The Company also believes that a number of the permit commitments for EP386 have already been met, totalling some $300,000 of indicative work commitments. Confirmation is being sought from the Western Australian Department of Mines, Industry, Regulation and Safety regarding this position.

Asset Energy Pty Ltd has invested over $25 million in the PEP11 title in recent history and is committed to continuing to explore for and ultimately exploit any petroleum accumulations which may be identified in this title area.

The above conditions indicate the uncertainty that may affect the ability of the Group to realise the carrying value of the exploration assets in the ordinary course of business.

12. FINANCIAL LIABILITIES

	Consolidated	
	31 December 2018 $	**30 June 2018 $**
Loans payable		
Loan from BPH Energy Limited (i)	41,935	41,935
Loan from Grandbridge Limited (i)	748,684	770,129
Loans from other entities (i)	1,358	1,358
	791,977	813,422

(i) The Company disputes the liability for these amounts. There is no formal agreement between Grandbridge Limited, BPH Energy Ltd and the Company in respect of these amounts. Furthermore, and in an effort to set-off the Company's claim against BPH Energy Ltd, Grandbridge Limited has purported to assign the benefit of this purported loan to BPH Energy Limited. The Company disputes the entitlement of Grandbridge Limited or BPH Energy Limited to these amounts or to any assignment of the purported debt.

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MEC RESOURCES LIMITED

Report on the Half-Year Financial Report

Conclusion

We have reviewed the accompanying half-year financial report of MEC Resources Limited (the company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2018, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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 the company 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 2018 and of its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material Uncertainty Related to Going Concern

In forming our opinion on the half-year financial report, which is not modified, we have considered the adequacy of the disclosure made in Note 2(c) to the financial report concerning the Group's ability to continue as a going concern. The conditions explained in Note 2(c) to the financial report indicate the existence of a material uncertainty which may cast significant doubt about the Group's ability to continue as a going concern. The Group half-year financial report does not include any adjustments that would result if the Group were unable to continue as a going concern.

Material Uncertainty Regarding Carrying Value of Exploration and Evaluation Assets

We draw attention to Note 11 to the half-year financial report which describes the uncertainty around the basis of continuing to recognise the carrying value of exploration and evaluation assets. Our opinion is not modified in respect of this matter

Directors' Responsibility for the Half-Year Financial Report

The directors of the company 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 Australian Accounting Interpretations) and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

MOORE STEPHENS

INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF MEC RESOURCES LIMITED (CONTINUED)

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 Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports 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 half-year financial report is not in accordance with the *Corporations Act 2001* including:

a. giving a true and fair view of the company's financial position as at 31 December 2018 and its performance for the half-year ended on that date; and

b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, 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 review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the company, would be in the same terms if provided to the directors as at the time of this auditor's review report.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 26th day of February 2019