RESOURCES

TAX CONCESSIONS

TECHNOLOGY

MEC Resources

ANNUAL 2018 REPORT

Contents

Corporate Directory

Directors

M Sandy – *Non-Executive Chairman (appointed 24 July 2018)*

A Bald – *Non-Executive Director (appointed 24 July 2018)*

D Ambrosini – *Executive Director and Company Secretary*

M Battrick – *Non-Executive Director (appointed 24 July 2018)*

D Moore – *Non-Executive Director (resigned 24 July 2018)*

H Goh – *Non-Executive Chairman (resigned 24 July 2018)*

KO Yap – *Non-Executive Director (resigned 24 July 2018)*

H Yu – *Non-Executive Director (resigned 24 July 2018)*

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Auditor

Moore Stephens
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PERTH WA 6000

Share Registry

Boardroom Pty Ltd
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225 George Street
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

Chairman's Report

Dear Shareholder

I am pleased to have been invited to take on the role of chairman of MEC Resources, and understand that the role comes with a lot of responsibility and many challenges. I am looking forward to working together with all stakeholders to strive to develop and create long term value for the Company and all shareholders.

I agreed to take on the role of chair of MEC as I believe that the Company, whilst beset in recent years by many challenges, has significant unrealised potential, especially considering its status as an ASX listed Pooled Development Fund. I hope that shareholders will give the new independent board the support it needs as it works to turn around the Company's fortunes.

A key asset of the Company is the PEP11 project, held by investee Advent Energy Ltd, which, given its proximity to the East Coast Gas market, is in an excellent location to exploit any gas discoveries. Advent itself is a public but unlisted Australian oil and gas exploration company, which also holds petroleum titles in the onshore Bonaparte Basin in the far north-east of Western Australia and north-west Northern Territory.

Due to its location adjacent to Australia's east coast and extensive gas network infrastructure, PEP11 provides MEC with a significant competitive advantage over other natural gas projects. The geology of that area has many favourable characteristics including deep source rocks, active hydrocarbon generation and some large structures into which natural gas may have migrated. Geophysically, however, the historic 2D seismic data also yields complex behaviours that are a significant challenge to image and interpret. The Board is unanimous in its belief that modern data acquisition incorporating cutting edge 3D seismic data is needed for the process of defining what could be enormous targets. 3D seismic must be obtained to ensure that the next exploration drilling programme is designed as efficiently as possible and to give the project the optimal chance of success.

Offshore exploration is a high risk, capital intensive exercise that is typically undertaken by heavily resourced major enterprises as a group effort to limit downside exposure. Your company has historically supported Advent Energy through its pioneering efforts in PEP11 but to date, there has been little reward to patient shareholders. The agreement with RL Energy, which shareholders recently supported, is fully endorsed by the board of MEC Resources as a pragmatic arrangement in line with market conditions, and one that has the potential to give the PEP11 project the impetus it requires.

The benefits to Advent and therefore MEC Shareholders of the PEP11 farmout to RL Energy are significant. It enables Advent Energy to reduce its near term cash outlays, and also reduce MEC Resources' requirement to continue to fund Advent Energy in its exploration efforts. Therefore, Advent Energy is 'freed' to expand its oil and gas exploration assets and grow as an Australian E&P company. Furthermore, MEC has an opportunity now to consider additions to its investment portfolio. Its pooled development fund registration must be wisely managed to optimise its value proposition to shareholders.

We are in a very promising economic time in Australia. The variety of commercial energy production and distribution systems has really demonstrated a disrupted paradigm: no longer are Australians reliant only on coal or gas fired power stations for electricity generation. We now have a plethora of solar, wind, hydrogen, hydroelectric, natural gas, and hybrid cogeneration or similar systems around the country that are being developed or producing, storing, and selling power or electricity to different consumers.

Now is an excellent time to be in the market for new investments capable of making a sustainable shift in the fortunes for MEC Resources' shareholders.

Yours faithfully

M Sandy
Chairman

Review of Operations

MEC Resources' investment capital is targeted for new and emerging companies in which investments have the potential to yield significant returns in energy and mineral resources.

The Company is registered by the Australian Federal Government as a Pooled Development Fund ("PDF") enabling most MEC shareholders to receive tax free capital gains on their shares and tax free dividends.

MEC's current major investment lies in Advent Energy Ltd, an unlisted oil and gas exploration and development company with onshore and offshore exploration and near term development assets around Australia. As at 30 June 2018, MEC Resources held 50.00% of Advent Energy Ltd and was the parent entity of the consolidated group for reporting purposes.

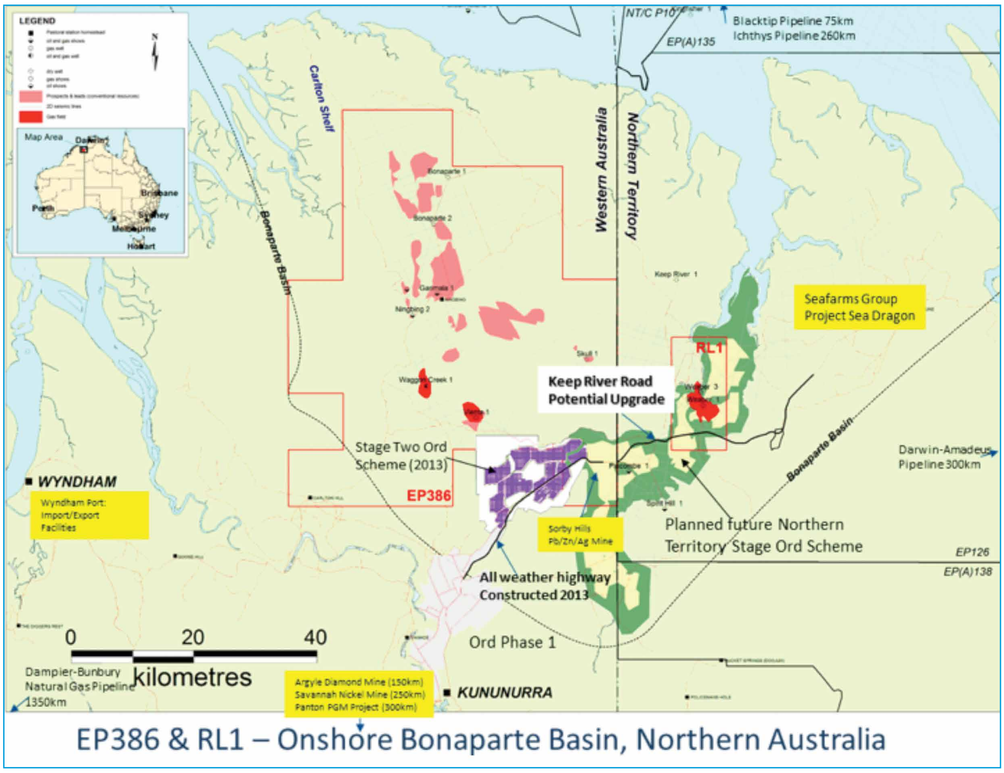
MEC's investment focus:

ADVENT ENERGY

Western Australia / Northern Territory – Onshore Bonaparte Basin

MEC Resources' investee Advent Energy Ltd ("Advent"), through wholly owned subsidiary Onshore Energy Pty Ltd, holds 100% of each of EP 386 and RL 1 in the onshore Bonaparte Basin in northern Australia. The Bonaparte Basin is a highly prospective, petroliferous basin, with significant prospective potential for reserves of oil and gas. Most of the basin is located offshore, covering 250,000 square kilometres, compared to just over 20,000 square kilometres onshore. The Bonaparte Basin is currently Australia's third most prolific offshore hydrocarbon-producing basin (after the Northern Carnarvon and Gippsland basins) having produced 4,513 petajoules (PJ) of liquid hydrocarbons and 1,780 PJ of natural gas to July 2015 (source: www.ga.gov.au/aera).

Please refer to the Cautionary Statement and Competent Persons Statement at the end of this section of the report for further information regarding the assessment of Prospective and Contingent Resources.



Location of EP386 and RL1 including the Weaber, Waggon Creek and Vienta gas fields, and other prospects and leads.

Production testing at Waggon Creek-1.

Advent holds Exploration Permit EP 386 (2,568 square kilometres in area) which is the sole petroleum permit in the Western Australian section of the onshore Bonaparte Basin. Since 1960 nine wells have been drilled within the present extent of EP 386, with six of those wells flowing gas to surface at various rates, and oil shows and/or fluorescence also reported in many wells. Advent holds a 100% Working Interest ("100% WI").

Waggon Creek-1, drilled in 1995, provided strong evidence of a significant sweet gas-charged stratigraphic trap with fair to good quality sandstone reservoir within the upper Milligans Formation. Drilling of Vienta-1 in 1998 demonstrated numerous gas shows within Enga Sandstone units, with dry gas flowed to surface and visual porosity described in the cuttings. Both Waggon Creek-1 and Vienta-1 were cased and suspended for future production.

Production testing of the Waggon Creek-1 well has demonstrated flows of over 1 million standard cubic feet of natural gas per day (MMscf/d), and a gas column over a 217 metre gross interval. Production testing of the Vienta-1 well has demonstrated flows of over 2 MMscf/d. Gas flow at Waggon Creek-1 was from zones less than 1000m below surface.

Within EP386, recoverable Prospective Resource estimates range from 53.3 Bcf (Low) to 1,326.3 Bcf (High) of natural gas in conventional reservoirs, with a Best Estimate of 355.9 Bcf of gas (Advent 100%.WI). These estimates were prepared deterministically as defined under the Society of Petroleum Engineers Petroleum Resource Management System (SPE PRMS) guidelines.

Review of Operations

ADVENT ENERGY

Western Australia / Northern Territory – Onshore Bonaparte Basin (continued)

Onshore Energy Pty Ltd has been directed by the Western Australian Department of Mines, Industry Regulation and safety (DMIRS) to plug and abandon Waggon Creek-1 and Vienta-1 in EP386 by 31 March 2020. It is the intention of Onshore Energy Pty Ltd to satisfy historic, unmet work commitments on the EP386 title and apply to revoke the direction and subsequently make future title applications for the area encompassed by EP386. The area holds great commercial potential and every effort will be made to realise that potential.

In the NT, Advent holds Retention Licence RL-1 (166 square kilometres in area), which covers the Weaber Gas Field, originally discovered in 1985.

Advent has previously advised that the 2C Contingent Resources* for the Weaber Gas Field in RL1 are 11.5 billion cubic feet (Bcf) of natural gas following an independent audit by RISC. Significant upside 3C Contingent Resources of 45.8 Bcf have also been assessed independently by RISC.

The results are summarised below:

Weaber Field	1C	2C	3C
Contingent Resources (Bcf)	0.25	11.5	45.8

** Contingent Resources, as defined under the Society of Petroleum Engineers Petroleum Resource Management System (SPE PRMS) guidelines, using a probabilistic assessment.*

The current rapid development of the Kununurra region in northern Western Australia/Northern Territory, including the Ord River Irrigation Area and its future potential expansion, the township of Kununurra, and numerous regional resource projects provides an exceptional opportunity for Advent to potentially develop its nearby gas resources. Flow rates observed from testing of the discovery wells within EP386 and the appraisal wells in RL1 demonstrate potentially commercial flow rates from a natural pressure depletion drive of the reservoirs encountered. Scope for enhanced and sustained flow rates from the existing cased and suspended wells within EP386 and RL1 is intended to be evaluated via a well intervention program, commencing at the earliest opportunity.

Market studies have identified a significant market demand of power generation capacity across the Kimberley region that could potentially be supplied by Advent Energy's conventional gas projects in EP386 and RL1.

The Seafarms Group is progressing with the potential development of Project Sea Dragon, a proposed world scale aquaculture operation adjacent to Advent's EP386 and RL1 gas resources spanning the border of northern Western Australia and Northern Territory. All major government approvals have been achieved for Project Sea Dragon, and preliminary site work expressions of interest have been requested. A Letter Of Intent was signed by Advent Energy with the proponents of Project Sea Dragon in 2013 for the potential supply of energy to the aquaculture operation. Whilst no agreement has yet been reached with the proponents of Project Sea Dragon, publicly available information confirms the need for initial power generation capacity to meet approximately 16MW of peak demand at the grow-out centre on Legune Station, NT (approximately 25km from the Weaber Gas Field), and LNG supply and storage infrastructure to the power generation facility.

Planning works have commenced for the construction of an all-weather highway on Northern Territory's Keep River Road which links the Moonamang Rd developed in Western Australia servicing the Ord Irrigation Area Phase 2 towards the Northern Territory border. The Keep River Road runs through Advent Energy's RL1 permit and brings the highway to within 4.5km of the Weaber gas wells in the Northern Territory. Its planned upgrade would provide much needed stimulus to the region north and east of Kununurra in Western Australia. Potential projects to benefit include the planned Project Sea Dragon aquaculture development, the expanded Ord River irrigation scheme, and the potential development of the Weaber Gas Field in RL1.

Conceptual virtual pipeline system of (micro) LNG storage and trucking of LNG to end consumers (image courtesy of BHGE).

Potential commercialisation of Advent Energy's gas fields may be via the virtual pipeline methodology, whereby gas produced at the wellhead is liquefied (or compressed) and trucked to end users as liquefied natural gas (LNG) or compressed natural gas (CNG). This method allows multiple customers to be "connected" to the one gas field, without the need for construction of permanent gas pipelines.

Advent is in an unique position to potentially satisfy this growing regional demand where it remains the operator and 100% owner of key petroleum permits in the vicinity of this region.

PEP 11 Oil and Gas Permit

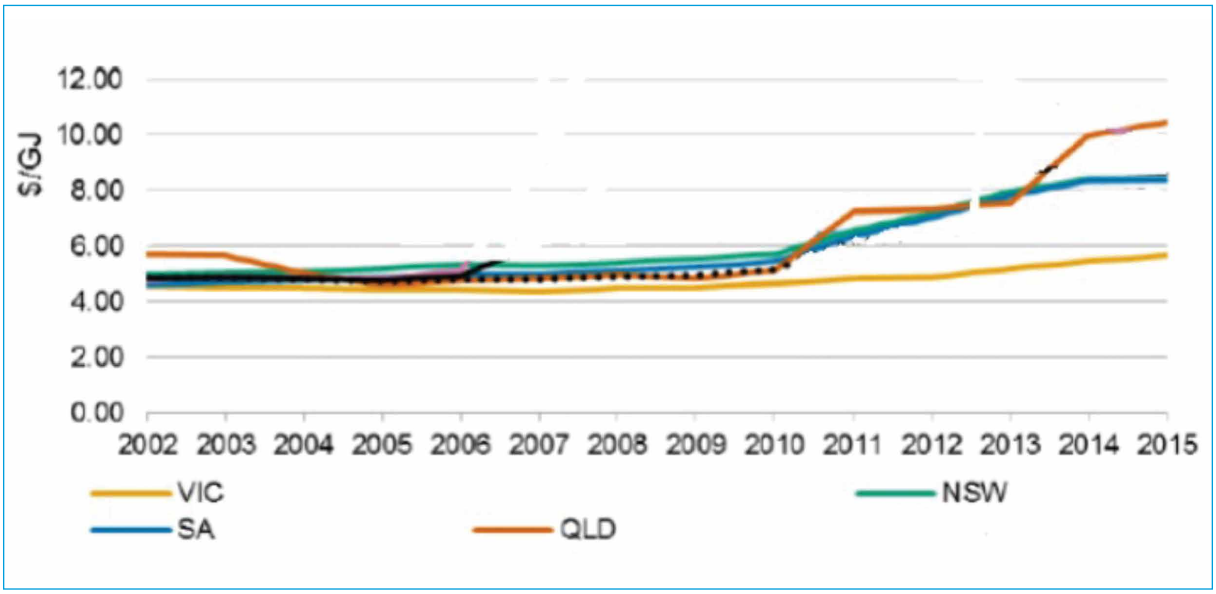
Advent, through wholly owned subsidiary Asset Energy Pty Ltd, presently holds 85% of Petroleum Exploration Permit PEP 11 – an exploration permit, prospective for natural gas, located in the Offshore Sydney Basin. Joint Venture partner, Bounty Oil & Gas NL, holds the remaining 15%.

PEP 11 is a significant offshore exploration area with large scale structuring and potentially multi-Trillion cubic feet (Tcf) gas charged Permo-Triassic reservoirs. Mapped prospects and leads within the Offshore Sydney Basin are generally located less than 50km from the Sydney-Wollongong-Newcastle greater metropolitan area. This area has a population of approximately 5,000,000 people.

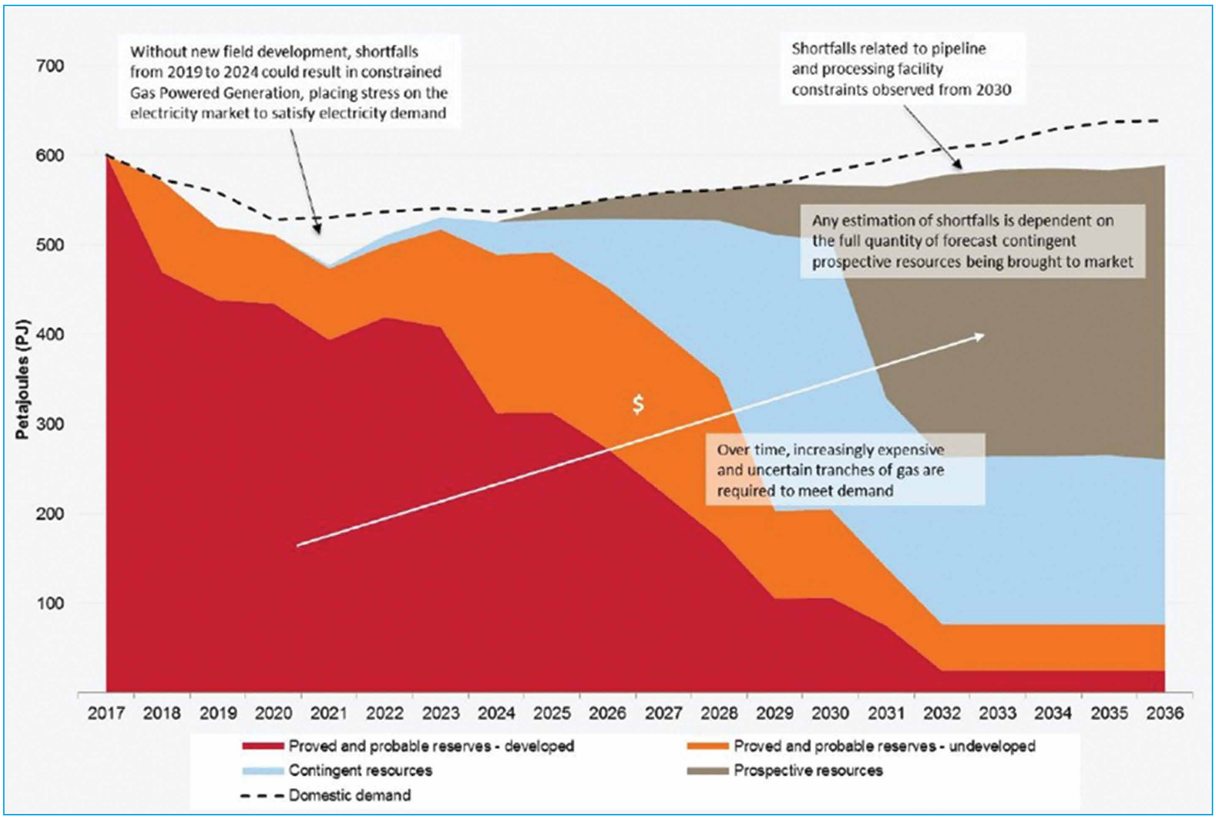
Heightening the prospectivity and critical positioning of PEP11, the Australian Energy Market Operator (AEMO) has warned that the developed gas reserves in eastern and south-eastern Australia can only meet forecast demand until 2019. The supply of gas into NSW has historically been from gas fields in the Bass Strait and Cooper Basin in South Australia. These gas reserves are declining.

Review of Operations

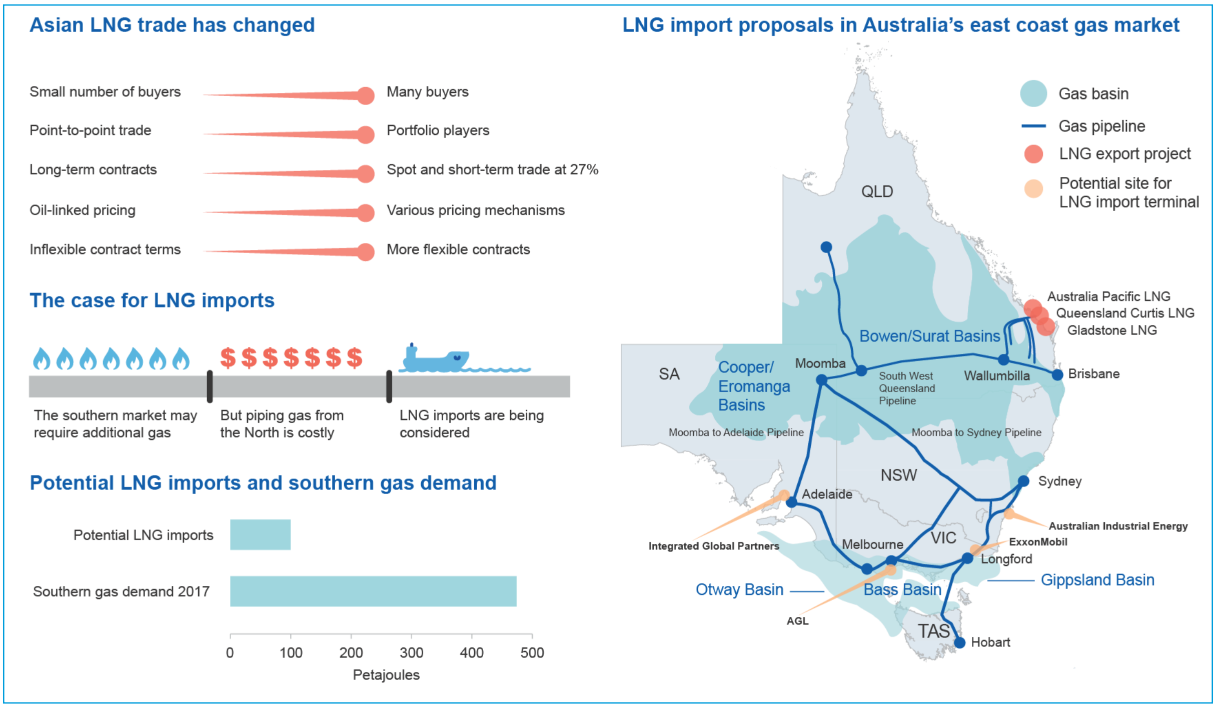
PEP 11 Oil and Gas Permit (continued)



From Economics Consulting Service presentation to the South East Asia Australia Offshore & Onshore Conference (SEAAOC) 2017.



NSW electricity and gas price projections to 2020 (source: AEMO media statement 9 March 2017 (https://www.aemo.com.au/Media-Centre/Media-Statement---Gas-development-required-to-meet-future-energy-demand))



(source: https://publications.industry.gov.au/publications/resourcesandenergyquarterlyjune2018/infographics/REQ-Web-Infographics-June18-LNG-hr.png, last accessed 2 August 2018)

Wide ranging implications of AEMO's forecast gas shortage include the inability to maintain a stable and efficient electricity supply to retail, commercial and industrial electricity consumers, an anticipated rise in natural gas prices and significant pricing and supply constraints that can affect the manufacturing industries and productivity on the Australian east coast. A forecast shortage in domestic demand has been demonstrated by AEMO for periods between 2018 – 2024, and again from approximately 2029. AEMO have also indicated an expectation that gas will become increasingly expensive for gas purchasers.

The June (2018) Quarterly from the Office of the Chief Economist advises that Australia could become an LNG (liquefied natural gas) importer around the time it becomes the world's largest LNG exporter. It further states that four proposals for an LNG import terminal in Australia's east coast gas market are being considered because of recent increases in domestic gas prices and a potential mismatch between supply and demand in the southern States. Furthermore, the graphic above from the Office of the Chief Economist demonstrates that the potential LNG imports only account for approximately 20% of the southern gas demand. The Company is of the strong opinion that increased supply competition from LNG importation into the east coast gas market will be far surpassed by the competitive advantage present in the PEP11 project inherent in its close proximity to gas infrastructure. Furthermore, the Company believes that importation of LNG will set a high 'floor' price for natural gas in the east coast gas market likely to be on parity with LNG netback pricing.

The total P50 Prospective Resource calculated for the PEP11 prospect inventory is 5.9 Tcf with a net 5 Tcf to Advent Energy (85%WI). The two largest prospects in the inventory are Fish and Baleen. The Fish prospect is assessed to contain a P50 prospective resource of 2.1 Tcf with Advent's 85%WI share equal to 1.785 Tcf. The Baleen prospect is assessed to contain a P50 prospective resource of 0.475 Tcf with Advent Energy's net share equal to 0.404Tcf (85%WI). Therefore, Advent's working interest share of the two largest prospects is 2.189 Tcf. Please refer to the Cautionary Statement and Competent Persons Statement at the end of this section of the report for further information regarding the assessment of Prospective and Contingent Resources.

Review of Operations

PEP 11 Oil and Gas Permit (continued)

The prospectivity of this proven petroleum basin has been enhanced by the confirmation of the presence of apparent ongoing hydrocarbon seeps. Sub-bottom profile data, swath bathymetry, seismic and echosounder data collected by Geoscience Australia along the continental slope / permit margin has demonstrated active erosional features in conjunction with geophysical indications of gas escape.

Advent has previously interpreted significant seismically indicated gas features. Key indicators of hydrocarbon accumulation features have been interpreted following review of the 2004 seismic data (reprocessed in 2010). The seismic features include apparent Hydrocarbon Related Diagenetic Zones (HRDZ), Amplitude Versus Offset (AVO) anomalies and potential flat spots.

Advent has demonstrated considerable gas generation and migration within PEP11, with the mapped prospects and leads highly prospective for the discovery of gas.

Advent Energy is pushing ahead with seismic data acquisition over key targets in PEP11, in the offshore Sydney Basin.

In April 2018, a high resolution 2D seismic survey covering approximately 200-line km was performed approximately 30 km south east of Newcastle, New South Wales. A drilling target on the Baleen prospect with total depth of approximately 2150 metres has been identified in a review of previous seismic data. Intersecting 2D lines suggest an extrapolated 6000 acre (24.3 km^2) seismic amplitude anomaly area at that drilling target. The report on this drilling target noted previous 2D seismic data showed that the Permian aged section of the Bowen Basin has produced conventional gas fields at a similar time and depth to PEP11 at the Triassic/Permian age boundary. As at the date of writing, the processing of the 2D data obtained from this survey was nearing completion.

Future plans include acquisition of broadband 3D seismic data to better refine existing prospects and identify further prospectivity in the offshore Sydney Basin to potentially generate even more future drilling targets.

To achieve this, a farm-in agreement with RL Energy Pty Ltd was reached in May 2018. The farm-in agreement enables RL Energy Pty Ltd to earn up to 60% of PEP11 by completing a 3D seismic survey of at least 500 square kilometres in PEP11. Under the agreement, RL Energy Pty Ltd will free carry Asset Energy's share of the 3D seismic to the first $4 million of the cost of the survey. Thereafter, the parties will contribute at their respective participating interest levels of 60% (RL Energy Pty Ltd) and 25% (Asset Energy). Existing joint venture partner Bounty Oil and Gas will contribute 15% of the total costs of the planned survey.

A necessary condition precedent to the agreement was achieved on 31 July 2018 when the shareholders of MEC Resources voted to endorse the planned farm-in to PEP11 by RL Energy Pty Ltd. An independent expert confirmed the transaction was fair and reasonable to shareholders of MEC, prior to shareholders voting on the merits of the deal with RL Energy.

Cautionary Statement:

Prospective Resources are the term given to the estimated hydrocarbon volumes (petroleum) that may potentially be produced in the event that they are discovered by the drilling of an exploration well. Prospective Resources may potentially be recovered by the application of a future development project and may relate to undiscovered resource accumulations. These estimates have both an associated risk of discovery and an inherent risk of development. Further exploration and appraisal drilling will be required to determine the existence of a commercially recoverable quantity of petroleum (oil and/or gas).

Contingent Resources are estimates of potentially recoverable quantities of petroleum from known (drilled) accumulations where a number of wells have identified and tested an assessable volume. The assessed volumes are categorized as contingent resources because the project is considered not mature enough to define a commercially viable development due to one or more contingencies.

Advent Energy uses probabilistic methodologies to the estimation of petroleum resource volumes at the field and/or prospect level. The estimates of prospective and contingent resources included in this report have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS. All petroleum estimates are aggregated by arithmetic summation unless otherwise stated.

There are numerous uncertainties inherent in estimating reserves and resources, as well as in projecting future development capital expenditure, production costs and cash flows. Geoscientific resource assessment must be recognised as a subjective process of estimating subsurface accumulations that cannot be measured exactly.

Competent Persons Statement:

The resource estimates outlined in this report were reviewed by Mr Matthew Battrick, Advent Energy's technical adviser, who has over 37 years' experience in petroleum exploration, development and production. Mr Battrick holds a Bachelor Degree in Geology and is a member of the American Association of Petroleum Geologists (AAPG). Mr Battrick is a qualified person (QRRE) in accordance with the ASX Listing Rules and has consented to the form and context in which this statement is presented.

Other Investments

As of 30 June 2018, MEC Resources Ltd held 14,366,095 shares in BPH Energy Ltd (ASX: BPH), formerly BioPharmica Ltd. As a consequence of investment in BPH, the Company also holds 23,303,379 shares in Molecular Discovery Systems Ltd, an unlisted biotechnology entity.

NOTE: *In accordance with ASX listing requirements, the geological information supplied in this report has been based on information provided by geologists who have had in excess of five years experience in their field of activity.*

Asset Energy Pty Ltd is a wholly owned subsidiary of Advent Energy Ltd and is the Operator for PEP11 under the joint operating agreement with Bounty Oil and Gas NL.

MEC is an investment company and relies on the resource and ore reserve statements compiled by the companies in which it invests. All Resource and Reserve Statements have been previously published by the companies concerned. Summary data has been used. Unless otherwise stated all resource and reserve reporting complies with the relevant standards. Resources quoted in this report equal 100% of the resource and do not represent MEC's investees' equity share unless stated.

Directors' Report

The directors of MEC Resources Ltd ("MEC" or the "Company") present their report on the Company for the financial year ended 30 June 2018.

Directors

The names of directors in office at any time during or since the end of the year are:

M Sandy *(appointed 24 July 2018)*

A Bald *(appointed 24 July 2018)*

D Ambrosini

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)*

Company Secretary

Ms Deborah Ambrosini continues in her role of Company Secretary. She also holds the position of Chief Financial Officer of the company and has over 20 years' experience in corporate accounting roles.

Principal Activities

MEC is registered as a Pooled Development Fund under the *Pooled Development Fund Act (1992)*. It has been formed to invest into a variety of industries including companies that are targeting potentially large energy and mineral resources.

MEC will provide carefully selected companies in the energy and mineral exploration sectors with development and exploration funding. MEC intends to identify investment opportunities with a number of specific characteristics including: large targets; a stage of development that permits a strategic investor or IPO within several years; strong and experienced management team and a definitive competitive advantage.

MEC's major investment lies in unlisted Australian oil and gas exploration company, Advent Energy Ltd.

Advent Energy Ltd - Oil and Gas

MEC has a controlling interest in the unlisted energy explorer Advent Energy Ltd ("Advent") of 50.00%.

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

Advent's assets include EP386 and RL1 (100%) in the onshore Bonaparte Basin in the north of Western Australia and Northern Territory and PEP11 (85%) in the offshore Sydney Basin.

EP386/RL1: A conventional 2C Contingent Resource of 11.5 Bcf (1C is 0.3 Bcf and 3C is 45.8 Bcf) for the Weaber Gas Field (RL1) has been assessed by an independent third party as a component of Advent's drive to commercialise its 100% owned onshore Bonaparte Basin assets. Included in these assets in EP386 conventional recoverable resource estimates range from 53.3 Bcf (Low) to 1,326.3 Bcf (High) of Prospective Resources, with a Best Estimate of 355.9 Bcf of gas. The rapid development of the Kununurra region in northern Western Australia, including the Ord Irrigation Expansion Project and numerous resource projects provides an exceptional opportunity for Advent to potentially develop its nearby gas resources for the benefit of the region along with Advent and its shareholders.

PEP11: The Sydney Basin is a proven petroleum basin with excellent potential for the discovery of gas and oil. Advent has demonstrated an active hydrocarbon system with seeps reported in the offshore area and sampling has indicated the presence of thermogenic hydrocarbon gas. This is considered to occur in basins actively generating hydrocarbons and/or that contain excellent migration pathways. Previous drilling has shown that the early Permian geological sequence is mature for hydrocarbons.

Undiscovered gross prospective recoverable gas resources for structural targets within the PEP11 offshore permit have been estimated at 5.7 Tcf (at the Best Estimate level). A Low Estimate of 0.3 Tcf and High Estimate of 67.8 Tcf has been assessed by Pangean Resources in 2010. PEP 11 lies adjacent to the most populous region of Australia and the major industrial hub and port of Newcastle.

Details of these resource assessments were previously provided in the MEC annual report for the 2017 financial year.

Cautionary Statement:

Prospective Resources are the term given to the estimated hydrocarbon volumes (petroleum) that may potentially be produced in the event that they are discovered by the drilling of an exploration well. Prospective Resources may potentially be recovered by the application of a future development project and may relate to undiscovered resource accumulations. These estimates have both an associated risk of discovery and an inherent risk of development. Further exploration and appraisal drilling will be required to determine the existence of a commercially recoverable quantity of petroleum (oil and/or gas).

Contingent Resources are estimates of potentially recoverable quantities of petroleum from known (drilled) accumulations where a number of wells have identified and tested an assessable volume. The assessed volumes are categorized as contingent resources because the project is considered not mature enough to define a commercially viable development due to one or more contingencies.

Advent Energy uses probabilistic methodologies to the estimation of petroleum resource volumes at the field and/or prospect level. The estimates of prospective and contingent resources included in this report have been prepared in accordance with the definitions and guidelines set forth in the SPE-PRMS. All petroleum estimates are aggregated by arithmetic summation unless otherwise stated.

There are numerous uncertainties inherent in estimating reserves and resources, as well as in projecting future development capital expenditure, production costs and cash flows. Geoscientific resource assessment must be recognised as a subjective process of estimating subsurface accumulations that cannot be measured exactly.

Competent Persons Statement:

The resource estimates outlined in this report were reviewed by Mr Matthew Battrick, Advent Energy's technical adviser, who has over 35 years' experience in petroleum exploration, development and production. Mr Battrick holds a Bachelor Degree in Geology and is a member of the American Association of Petroleum Geologists (AAPG). Mr Battrick is a qualified person (QRRE) in accordance with the ASX Listing Rules and has consented to the form and context in which this statement is presented.

Operating Results

The loss attributable to the owners of the Consolidated Group after tax for the year was $9,826,563 (2017: Loss $900,893) which includes a write down in exploration costs as detailed below at Financial Position.

Dividends

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

Directors' Report

Financial Position

The net assets of the Consolidated Group have decreased by $17,909,655 to $10,554,799 at 30 June 2018 after the write down of $18,694,026 of PEP 11 capitalised exploration expenditure by reference to the value implied for PEP 11 by virtue of the recent Farmin agreement entered into with RL Energy Pty Ltd.

Significant Changes in State of Affairs

MEC Resources Ltd

- MEC Resources undertook a Share Purchase Plan during the year which raised $539,500 before costs. Funds received have been applied to the continuation of support of Advent Energy Ltd in works associated with PEP11 seismic acquisition, and well intervention planning for EP386 and RL1, plus towards working capital.

- During the year MEC Resources increased its investment into Advent Energy Ltd to 47.06%. On 6 July 2018 MEC Resource announced it had increased its interest further to 50%.

- On 22 January 2018 MEC Resources announced a placement of 14,285,714 shares to sophisticated and professional investors at 2.1c per share to raise $300,000 before costs.

- On 21 June 2018 MEC Resources announced that it had raised $1,064,065 before costs after completing its Non- Renounceable Entitlements issue. Funds received will be used to support the Company's investments, in particular, to support MEC investee Advent Energy in achieving the proposed well intervention program in EP386 in the onshore Bonaparte Basin, where Advent Energy is looking to commercialise its significant gas resources in this highly prospective basin. Further funds raised will be used to support Advent Energy in finalising costs incurred associated with acquisition of its 2D seismic survey in PEP 11 which was recently completed in April 2018 and for working capital purposes.

- MEC Resources withdrew its statutory demand for repayment of outstanding moneys owed to it pursuant to a formal loan agreement with BPH Energy Ltd, entered into in 2014. The withdrawal of the statutory demand was intended to facilitate a 'global resolution' of disputes between the Company, BPH Energy Ltd and Grandbridge Ltd. No credible offers to resolve these disputes was received by the Company. MEC Resources pursued a Summary Judgement application as an initial recovery step, through the District Court of Western Australia against BPH Energy Ltd for recovery of debts owing. The case was heard on 13 December 2017. On 23 February 2018 the Company announced that it had been advised that its summary judgment application 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 30 June 2018 was $420,260 (2017: $340,779).

Advent Energy Limited

- Advent Energy submitted an Environment Plan (EP) to undertake the PEP11 2D Baleen HR Seismic Survey to the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) in July 2017. NOPSEMA requested a modification and resubmission of the EP which was duly provided in October 2017. A Request for Further Written Information (RFFWI) was issued by NOPSEMA in December 2017, and duly responded to by Advent Energy. On 10 January 2018 NOPSEMA formally accepted the EP. The survey commenced on 16 April 2018 and was concluded on 19 April 2018.

- On 1 November 2017, MEC Resources announced that Advent Energy had agreed binding loan facility terms with Wonderhealth Pty Ltd (an entity associated with previous MEC Resources Chairman Goh Hock) and Heydon Properties Limited (an entity associated with previous MEC Resources non-executive director K O Yap) for provision of loan facilities to Advent Energy. MEC Resources is acting as guarantor for these loan facilities, totalling a maximum amount of $125,000 from each lender. Funds drawn under the facility are to be used in assisting funding costs for the execution of the PEP11 2D Baleen HR Seismic Survey. No funds were drawn down from these agreements which have now expired.

- On the 5 December 2017 the Company announced the details of the term sheet agreed between Asset Energy Pty Ltd (a wholly owned subsidiary of Advent), Bounty Oil and Gas NL (existing PEP11 JV partners) and RL Energy Pty Ltd (RL Energy) whereby RL Energy may earn an interest of up to 60% in PEP11 by funding certain costs of completing 2D and 3D seismic surveys in respect of PEP 11. The conditions precedent to the Farmin agreement included but were not limited to, the execution of a full form conditional farm-in joint venture agreement and receipt of all necessary approvals (including regulatory and shareholder approvals to the extent required).

  On 4 May 2018, the Company advised that a conditional farm-in agreement had been entered into between Asset Energy Pty Ltd (a wholly owned subsidiary of Advent) and RL Energy Pty Ltd (RL Energy), whereby RL Energy may earn an interest of up to 60% in PEP11 by completing a 3D seismic survey in PEP11 and carrying Asset Energy's costs in that survey up to $4 million.

  Key terms of the agreement include, but are not limited to:

  - RL Energy having the right to earn a 5% interest in PEP11 by preparing and submitting all documents and reports in support of an environmental approval process for the proposed 3D seismic program. The costs associated with the preparation of the environment plan documents and reports are to be met by RL Energy and will not count towards the capped expenditure amount referred to above.
  - RL Energy having the right to earn a further 55% interest in PEP11 upon the acquisition, processing and interpretation of a 500km^2 (or greater) 3D seismic survey in PEP11 to cover key structural targets. The 3D seismic works will be subject to the availability of a suitable seismic vessel.

  Conditions precedent to the agreement include, but are not limited to:

  - Regulatory approval of the agreement.
  - Asset Energy confirming that its ultimate parent entity (MEC) has sought and received shareholder approval to the transaction. The ASX used their discretion to determine that RL Energy is a person to whom Listing Rule 10.1 will apply. Accordingly, the Company was required to comply with Listing Rules 10.7 and 10.10. The Company received shareholder approval through general meeting of the Company on 31 July 2018, and an independent expert report was included in the notice of meeting that described the conditional transaction as "fair and reasonable" to MEC shareholders.

Directors' Report

After Balance Date Events

On 6 July 2018 MEC Resources increased its investment into Advent Energy Ltd to 50.00%.

On 17 May 2018, MEC Resources announced that it had received notices under section 249D of the *Corporations Act 2001* (Cth) on behalf of Protax Nominees Pty Ltd, Anstey Superannuation Fund Pty Ltd, Paul Anstey & Co Pty Ltd, Paul Emile Richards Anstey and Mrs Katherine Jean Anstey, Steven Craig James, Roger Julian Glyn Davenport and Mrs Frances Davenport, AVCO Pty Ltd, Mr Valentine Durnin, Mr Valentine Durnin and Mrs Pauline Durnin, Ms Claire Durnin, Mr Peter Durnin and Mr Joseph Durnin, Avatar Energy Pty Ltd, Kinetas Pty Ltd, Superfold Pty Ltd, Mr Thomas Andrew Keith Wilson and Mr David Booth & Mrs Tracey Booth who, in aggregate, held approximately 6.2% of MEC's share capital. The notices sought to convene a meeting to remove all of the existing Directors of the Company and appoint three new Directors recommended by the convening parties.

The meeting was held on the 10th July 2018 and an overwhelming majority of shareholders voted against the removal of the existing Board and the appointment of the three alternative Directors at this meeting.

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 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 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.

During July 2018 MEC Resources issued 10,807,586 shortfall shares under the non-renounceable rights issued announced on 8 May 2018.

On 24 July 2018 MEC Resources announced the resignation of Mr Goh Hock, Mr KO Yap, Mr Heng Yu and Mr Darryl Moore from the Board of MEC. Mr Michael Sandy was appointed as the new Chair of MEC while Mr Andrew Bald and Mr Matthew Battrick joined the board as Non – Executive Directors.

Future Developments

The Company will continue to develop its investee portfolio projects including PEP 11, RL1 and EP 386 and will evaluate and consider investment in a range of energy/resource projects.

Information on Directors

M Sandy *(appointed 24 July 2018)*
Non-Executive Chairman – Age 65

Shares held in MEC – nil
Shares held in Advent – nil
Listed Options held – nil
Unlisted Options held MEC – nil

Mike graduated as a geologist (BSc (Hons) University of Melbourne in 1975 and has been employed at various times as a minerals exploration geologist, research mineralogist (CSIRO), field geologist (mainly in PNG), broker research analyst (BZW Australia), petroleum geologist, business development manager, M&A manager, asset manager (of licences located in numerous countries including Australia, NZ, PNG (including 8 years in country for the PNG government and then Oil Search), Indonesia, Malaysia, Thailand, Pakistan, Oman, Qatar and Kyrgyzstan) and country manager (Novus USA in Houston). In recent years Mike has been involved in setting up new companies and progressing them to IPO, and in some cases running them. These have included Novus Petroleum, Burleson Energy, Hot Rock (geothermal). He also has established private companies including Canning Petroleum and Thylacine Minerals – with a couple of others being hatched. He has a special interest in energy and resources related technical innovation, for instance development of new exploration or drilling techniques and tools, and using non-mainstream processes such as gas to liquids, mini-LNG and CSG to utilise "stranded" gas in remote areas. Mike hopes that market conditions will allow these ideas and companies to blossom in the near future.

He is currently a Non-Executive Director of Melbana Energy (ASX:MAY), formerly known as MEO Australia.

A Bald *(appointed 24 July 2018)*
Non-Executive Director – Age 54

Shares held in MEC – 2,709,048
Shares held in Advent – nil
Listed Options held – nil
Unlisted Options held MEC – nil

Andrew is a Corporate Advisor with a focus on equity capital markets for ASX listed companies but a passion for start-ups. His experience spans a range of roles including 16 years working for a variety of domestic and offshore financial institutions where he provided advice and structured risk management solutions for most of the ASX top 200 listed companies, specialising in structured interest rate and currency derivatives. Since 1999, he has originated and completed numerous corporate finance transactions, assisting companies manage both their debt and equity requirements and has personally invested in a number of startups including resources and technology (amongst others).

He is currently a Non-Executive Director of Plus Connect Limited (ASX:PC1), formerly known as Activistic Limited.

Directors' Report

Information on Directors (continued)

D Ambrosini
Executive Director and Company Secretary – Age 44

Shares held – nil
Listed options – nil
Unlisted Options held in MEC – nil
Unlisted Options held in Advent – nil

Deborah is a fellow of Chartered Accountants Australia and New Zealand with over 20 years' experience in accounting and business development spanning the biotechnology, mining, IT communications and financial services sectors. She has extensive experience both nationally and internationally in financial and business planning, compliance and taxation.

She was a state finalist in the 2009 Telstra Business Woman Awards and was a recipient of the highly regarded 40 under 40 award held by the WA Business News.

In the past three years Deborah was a Director of Grandbridge Ltd. She is no longer a member of this company.

M Battrick *(appointed 24 July 2018)*
Non-Executive Director – Age 58

Shares held in MEC – nil
Shares held in Advent – nil
Listed Options held – nil
Unlisted Options held MEC – 600,000

Matthew also consults to Advent Energy to lead its immediate strategic asset review. Mr Battrick is a proven oil and gas explorer as a leader of high-performing, multidisciplinary teams. He has demonstrable success in resetting strategic direction at Board level and in delivering five-fold growth in shareholder value. In addition, he has worked successfully with or joint ventured with major and super major oil companies as well as ASX 100 companies. In Matthew's 35 years of Australian and international oil and gas industry experience, his most recent service was to Sun Resources Ltd as Managing Director and Chief Executive Officer.

During this tenure, he managed the capital raising of over A$40 million, and successfully delivered a strategic shift in business direction with the support of the Board and major shareholders. Previous appointments include Pancontinental Oil & Gas (General Manager), ENI Australia and Mobil Exploration & Production Australia. We welcome Mr Battrick's assistance in leading Advent Energy's strategic review.

Matthew is currently a Non-Executive Director of Target Energy Limited (ASX:TEX)

H Goh *(resigned 24 July 2018)*
Non-Executive Chairman – Age 63

Shares held in MEC – 9,086,191
Shares held in Advent – 3,000,000
Listed Options held – nil
Unlisted Options held MEC – 600,000

Hock was formerly President of Network and Infrastructure Solutions, a division of Schlumberger Ltd, based in London with revenue in excess of US$1.5 billion. He had global responsibility of Schlumberger's outsourcing services, security, business continuity and networked related business units.

Prior to that, Hock was President of Schlumberger Asia based in Beijing, China where he managed their Asian operations consisting of a broad range of services including oil field services, IT outsourcing, financial software and smartcards.

In his 25-year career with Schlumberger, Hock held several other field and management responsibilities in the oil and gas industry spanning more than ten countries in Asia, the Middle East and Europe. Hock started as an oil field service engineer in Indonesia in 1980 before moving to Australia where he worked on the rigs in Roma, Queensland, Bass Strait in Victoria and the Northwest Shelf, offshore Western Australia.

After retiring from Schlumberger, Hock was a partner with Baird Asia Capital Partners, the U.S. based buyout fund of Baird Private Equity, providing change-of-control and growth capital to middle-market companies.

Hock currently serves on the boards of Santos Limited, Stora Enso Ojy, AB SKF and Versuvius PLC. He received his B Eng (Hons) in Mechanical Engineering from Monash University, Australia in 1980. He also completed an Advanced Management Program at INSEAD/ France in 2004.

In the past three years he has also been a director of BPH Energy Ltd. He is no longer a member of this company.

K O Yap *(resigned 24 July 2018)*
Non-Executive Director – Age 56

Shares held MEC – 10,909,552
Listed options – nil
Unlisted Options held in MEC – 3,636,517

K.O Yap has over 17 years' experience in investment banking. He has recently helped establish Hexa Asset Management in Hong Kong. Prior to this, K.O was Head of Corporate Finance at Daiwa Securities (H.K.) Ltd., Executive Director at Alta Financial Group and founder of Eton Advisory Services.

His career took him from general audit, computer audit and corporate advisory with Ernst & Young in London to investment banking with Barclays de Zoete Wedd Asia Ltd. and then Daiwa Securities (H.K.) Ltd.

His extensive experience covers all aspects of corporate finance, advisory, M&A and capital raisings throughout Asia. These include privatisation, listing and public offerings from the PRC (Northeast Electric, H-Share), Malaysia (Petronas Gas) and Thailand (PTTEP); equity-linked issues from HK (Emperor International) and Thailand (Bangkok Land) and debt issues including a samurai bond for Wharf (H.K.).

K.O also has extensive experience in mergers and acquisitions (and related restructurings) with transactional experience in Thailand, Indonesia, Malaysia, Hong Kong and China.

K.O is a graduate from the London School of Economics, in 1984 and is also a fellow of the Institute of Chartered Accountants in England and Wales.

Directors' Report

Information on Directors (continued)

H Yu *(resigned 24 July 2018)*
Non-Executive Director – Age 56

Shares held – 67,500
Listed options – nil
Unlisted Options held in MEC – 22,500
Unlisted Options held in Advent – nil

Mr Yu has over 25 years' experience in the Oil and Gas Industry and has held senior positions for a number of highly regarded companies in China.

Mr Yu is a Senior Geologist and brings with him advanced skills in Geology Fundamentals, Modelling, Reserves Calculation, correlation and analysis. His strengths lie in Borehole image processing and interpretation, multiwell correlation and interpretation, as well as integrated reservoir analysis.

Mr Yu has been involved in and contributed to a number of professional publications for projects in China. Mr Yu holds a Bachelor Degree in Geology from the Southwest Petroleum Institute in China.

D Moore *(resigned 24 July 2018)*
Non-Executive Director – Age 48

Shares held – 666,667
Listed options – nil
Unlisted Options held in MEC – nil
Unlisted Options held in Advent – nil

Mr Moore, an experienced company director, is a professional Drilling Engineer and 1993 honours graduate from the University of New South Wales. He has performed drilling engineering services for major oil and gas companies including Shell, Chevron, Phillips, ENI and Woodside on international projects. These have been undertaken in the Middle East, Australia's North West Shelf, and south-east Asia.

Mr Moore also provided drilling engineering services to Advent Energy in 2010 including the design of an exploration well targeting the Baleen prospect.

Remuneration Report (Audited)

This report details the nature and amount of remuneration for key management personnel of MEC Resources Ltd. The remuneration report details the remuneration arrangements for KMP who are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any Director (whether executive or otherwise) of the Group.

This information provided in this remuneration report has been audited as a required by Section 308(3C) of the *Corporations Act 2001*.

The Directors and other key management personnel of the Group during or since the end of the financial year were:

M Sandy – *Non-Executive Chairman (appointed 24 July 2018)*

A Bald – *Non-Executive Director (appointed 24 July 2018)*

D Ambrosini – *Executive Director and Company Secretary*

M Battrick – *Non-Executive Director (appointed 24 July 2018)*

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)*

S Kelemen – *Non-Executive Director of Advent (appointed 8 February 2018)*

D Hoff – *Non-Executive Director of Advent*

All the parties have held their current position for the whole of the financial year and since the end of the financial year unless otherwise stated.

Remuneration Policy

The remuneration policy of MEC Resources Ltd has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives as determined by the Board and/or shareholders. The remuneration report, as contained in the 2017 financial accounts was adopted at the Company's 2017 annual general meeting. Although a total of 38% (representing 9 of the 92 shareholders who voted) of the total votes were against the adoption of this report, the Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executive and directors to run and manage the economic entity, as well as create goal congruence between the directors, executives and shareholders. Remuneration for both Executive and Non-Executive directors has not increased since company inception. Although remuneration is reviewed annually against local market levels, the Board believes this course of action to be appropriate.

All Directors have agreed to continue with the reduced Director fees at a nominal amount of $1 per year at this time. Director fees had previously been accrued at agreed rates.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the Company is as follows:

The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was approved by the Board.

- All executives, unless otherwise agreed receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits and options.
- The Board reviews executive packages annually by reference to the Company's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

Directors' Report

Remuneration Report (Audited) (continued)

Remuneration philosophy

The performance of the Company depends upon the quality of the Directors and executives. The philosophy of the Company in determining remuneration levels is to:

- set competitive remuneration packages to attract and retain high calibre employees;
- link executive rewards to shareholder value creation; and
- establish appropriate, demanding performance hurdles for variable executive remuneration

The performance of executives is measured against criteria agreed with each executive and is based predominantly on the forecast growth of the Company's profits and shareholders' value. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Executives are also entitled to participate in the employee share and option arrangements.

Where agreed the executives receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits.

Shares given to directors and executives are valued as the difference between the market price of those shares and the amount paid by the director or executive. Options are valued using an appropriate methodology.

The Board policy is to remunerate non-executive directors at market rates for comparable companies for time, commitment and responsibilities. Payments to non-executive directors are based on market practice, duties and accountability. Independent external advice may be sought when required on payments to non-executive directors. The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at the Annual General Meeting. Fees for non-executive directors are not linked to the performance of the Company. However, to align directors' interests with shareholder interests, the directors are encouraged to hold shares in the Company and are able to participate in the employee option plan.

A policy on Directors hedging their equity has not been implemented by the Consolidated Group.

Compensation Practices

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

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

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

Employment contracts of directors

The employment conditions of the chief financial officer and company secretary are formalised in a consulting contract. The contract is for a maximum payment of 4 days per week at a rate of $750 per day. Remuneration is not received for additional hours worked. The employment contract stipulates a three-month resignation period. Any options not exercised before or on the date of termination will lapse after one month.

The remaining directors are consultants to MEC Resources Ltd and each party can terminate their services by written notice.

Details of Remuneration for the year ended 30 June 2018

2018

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Bonus	Non-cash benefit	Other	Superannuation
H Goh	2	-	-	-	-
K O Yap	1	-	-	-	-
D Ambrosini	132,869	-	-	-	3,990
H Yu	1	-	-	-	-
D Moore	1	-	-	-	-
D Hoff	1	-	-	-	-
S Kelemen	-	-	-	-	-
G Channon	-	-	-	-	-
M Sandy	-	-	-	-	-
A Bald	-	-	-	-	-
M Battrick	-	-	-	-	-

2018 (continued)

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related	Compensation relating to options
	Other	Shares	Options	$	%	%
H Goh	-	-	-	2	-	-
K O Yap	-	-	-	1	-	-
D Ambrosini	-	-	-	136,859	-	-
H Yu	-	-	-	1	-	-
D Moore	-	-	-	1	-	-
D Hoff	-	-	-	1	-	-
S Kelemen	-	-	-	-	-	-
G Channon	-	-	-	-	-	-
M Sandy	-	-	-	-	-	-
A Bald	-	-	-	-	-	-
M Battrick	-	-	-	-	-	-

Directors' Report

Details of Remuneration for the year ended 30 June 2018 (continued)

2017

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Bonus	Non-cash benefit	Other	Superannuation
H Goh	33,328	-	-	-	-
K O Yap	8,332	-	-	-	-
D Ambrosini	79,934	-	-	-	-
H Yu	-	-	-	-	-
D Moore	-	-	-	-	-
E H Tan	8,332	-	-	-	-
G Channon	-	-	-	-	-
D Hoff	-	-	-	-	-
D Breeze	38,333	-	-	-	-

2017 (continued)

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related	Compensation relating to options
	Other	Shares	Options	$	%	%
H Goh	-	-	-	33,328	-	-
K O Yap	-	-	-	8,332	-	-
D Ambrosini	-	-	-	79,934	-	-
H Yu	-	-	-	-	-	-
D Moore	-	-	-	-	-	-
E H Tan	-	-	-	8,332	-	-
G Channon	-	-	-	-	-	-
D Hoff	-	-	-	-	-	-
D Breeze	-	-	-	38,333	-	-

In November 2016, the consultancy agreement between the Company, Trandcorp Pty Ltd and Mr David Breeze under which Mr Breeze was appointed Managing Director of the Company was terminated. Directors of MEC Resources and Advent Energy have agreed to reduce their Director fees to the nominal amount of $1 during the transition phase. Director fees had previously been accrued at an agreed rate.

Interest in the shares and options of the Company and related bodies corporate

The following relevant interests in shares and options of the Company or a related body corporate were held by Directors as at the date of this report.

Shareholdings - MEC Resources

Number of Shares Held by Key Management Personnel

2018

	Balance 1.7.2017	Received as Compensation	Options Exercised	Net Change Other*	Balance 30.6.2018
H Goh	7,628,397	-	-	1,457,794	9,086,191
K O Yap	7,273,035	-	-	3,636,517	10,909,552
D Ambrosini	-	-	-	-	-
H Yu	45,000	-	-	22,500	67,500
D Moore	666,667	-	-	-	666,667
D Hoff	-	-	-	-	-
S Kelemen	-	-	-	-	-
G Channon	-	-	-	-	-

*During the year Mr Goh Hock, Mr KO Yap and Mr Heng Yu participated in the Company Non- Renounceable Entitlement Issue. Mr Goh Hock also took up his entitlement in the Company's Share Purchase Plan.

Shareholdings - Advent Energy

Number of Shares Held by Key Management Personnel

2018

	Balance 1.7.2017	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2018
H Goh	3,000,000	-	-	-	3,000,000
K O Yap	-	-	-	-	-
D Ambrosini	-	-	-	-	-
H Yu	-	-	-	-	-
D Moore	-	-	-	-	-
D Hoff	-	-	-	-	-
S Kelemen	-	-	-	-	-
G Channon	-	-	-	-	-

The value of options lapsed during the year was nil. There were nil options exercised during the year.

The Company has an agreement with Ms Deborah Ambrosini on normal commercial terms procuring CFO and Company secretarial services of Ms Ambrosini for four days week. Additional service days are unpaid. The agreement is at the rate of $156,000 per annum, commencing from January 2017. This is included in Ms Ambrosini's total remuneration above.

Directors' Report

Shareholdings - Advent Energy (continued)

Board payments may be made up to a level of $250,000 per annum. Payments for Director fees are to be made up to $25,000 per annum per director and $50,000 per annum for the Chairman. Remuneration to the directors of Advent is included in the tables above. Directors of MEC Resources and Advent Energy have agreed to reduce their Director fees to the nominal amount of $1 at this time. Director fees had previously been accrued at an agreed rate.

There were no grants of share-based payment compensation to directors and senior management during the year.

Company performance, shareholder wealth, and director and executive remuneration

The following table shows the gross revenue and the operating result for the last five years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows an increase in the operating loss in the current year from the actual loss in the prior year. The increased loss is directly attributable to an $18,694,026 impairment loss being recorded against PEP 11 by reference to the value implied for PEP 11 by virtue of the recent Farmin agreement entered into with RL Energy Pty Ltd. Despite the impairment loss the Company is pleased to report that despite significant additional costs being incurred once again as a result of the former managing director and his associates causing the Company to hold extraordinary general meetings and additional legal costs being incurred as a direct result of these parties, the expenditure of the Company and its subsidiaries has decreased on a year to date basis compared with the previous financial year. The Board is of the opinion that the decreased normalised loss is in line with expectations as efforts continue to cut the costs of the Company while navigating very difficult market conditions.

	2014	2015	2016	2017	2018
Revenue	58,933	28,524	23,984	61,061	86,162
Net Profit/Loss	(1,916,524)	(2,903,730)	(1,300,678)	(1,030,674)	(19,914,101)
Share price at Year end	$0.037	$0.019	$0.029	$0.03	$0.017
Loss per share	($0.87)	($0.01)	($0.06)	($0.05)	($0.03)

End of remuneration report.

Meetings of Directors

During the financial year, four meeting of directors (including committees of directors) were held. The Board meets much more regularly by telephone to make day-to-day decisions with respect to the business of the Company. Attendances by each director during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
H Goh	4	4
K O Yap	4	4
D Ambrosini	4	4
H Yu	4	4
D Moore	4	4

Indemnifying Officers or Auditors

During or since the end of the financial year the company has given an indemnity or entered an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was $21,000.

- D Ambrosini
- H Goh
- K O Yap
- D Moore
- H Yu
- M Sandy
- A Bald
- M Battrick
- S Kelemen
- D Hoff

The company has not indemnified the current or former auditor of the company.

Directors' Report

Options

At the date of this report, the unissued ordinary shares of MEC Resources Ltd under unlisted options are as follows:

MEC Resources Ltd

Grant Date	Date of Expiry	Exercise Price	Number Under Option
02/04/2016	31/03/2020	$0.06	2,400,000
22/06/2018	22/06/2020	$0.04	59,114,729

During the year ended 30 June 2018, nil ordinary shares of MEC Resources Ltd were issued on the exercise of options granted under the MEC Resources Ltd Incentive Option Scheme (2017: nil). No amounts are unpaid on any of the shares.

No person entitled to exercise the option had or has any right by virtue of the option to participate in any share issue of any other body corporate.

Proceedings on Behalf of Company

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.

MEC Resources withdrew its statutory demand for repayment of outstanding moneys owed to it pursuant to a formal loan agreement with BPH Energy Ltd, entered into in 2014. The withdrawal of the statutory demand was intended to facilitate a 'global resolution' of disputes between the Company, BPH Energy Ltd and Grandbridge Ltd. No credible offers to resolve these disputes was received by the Company. MEC Resources pursued a Summary Judgement application as an initial recovery step, through the District Court of Western Australia against BPH Energy Ltd for recovery of debts owing. The case was heard on 13 December 2017. On 23 February 2018 the Company announced that it had been advised that its summary judgment application 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 30 June 2018 was $420,260 (2017: $340,779).

Environmental Issues

On 10th January 2018, an Environmental Plan (EP) was accepted by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA). The accepted EP enabled the acquisition of 200-line km of 2D seismic data in PEP11 by the title holder Asset Energy Pty Ltd. Following acceptance of the EP, and prior to the commencement of the activity, an Issue of Direction pursuant to the *Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth)* was received by Asset Energy. The notice of direction required Asset Energy to ensure it made available an appropriate level of information to interested persons and the broader public prior to and during the survey. The survey was conducted in April 2018, and pursuant to the accepted EP and issued direction. No environmental incidences were reported during the activity. An Environmental Performance Report is to be provided to NOPSEMA within three months of the conclusion of the activity. This was published to NOPSEMA's satisfaction on 24 August 2018.

On 29th March 2018, Onshore Energy Pty Ltd received an Instrument of Direction under s.95(1) of the *Petroleum and Geothermal Energy Resources Act 1967* (Western Australia) for the decommissioning of the cased and suspended wells Waggon Creek-1 and Vienta-1 and site restoration in EP386. The conditions of the title were varied to include this decommissioning and the request to submit by 28 September 2018, a Well Management Plan, Environment Plan and Safety Case in accordance with the relevant Regulations for the decommissioning and site restoration, with corresponding extension of the EP386 title until 31 March 2020.

Non-audit Services

The Board of Directors is satisfied that the provision of non-audit services during the year is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the services disclosed below did not compromise the external auditor's independence for the following reasons:

- all non-audit services are reviewed and approved by the Board prior to commencement to ensure they do not adversely affect the integrity and objectivity of the auditor; and
- the nature of the services provided do not compromise the general principles relating to auditor independence in accordance with APES 110: Code of Ethics for Professional Accountants set by the Accounting Professional and Ethical Standards Board.

No fees for non-audit services were paid/payable to the external auditors during the year ended 30 June 2018 (2017: Nil).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 28.

The directors' report is signed in accordance with a resolution of directors made pursuant to S298(2) of the *Corporations Act 2001*.

D Ambrosini

Deborah Ambrosini
Executive Director

Dated this 31st Day of August 2018

Auditor's Independence Declaration

MOORE STEPHENS

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AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE *CORPORATIONS ACT 2001* TO THE DIRECTORS OF MEC RESOURCES LIMITED & CONTROLLED ENTITIES

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018, there have been:

a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth this 31st day of August 2018.

Corporate Governance Statement

The Board of Directors of MEC Resources Limited ('MEC' or 'the company') is responsible for the corporate governance of the economic entity. The Board guides and monitors the business and affairs of the company on behalf of the shareholders by whom they are elected and to whom they are accountable.

To ensure that the Board is well equipped to discharge its responsibilities, it has established guidelines and accountability as the basis for the administration of corporate governance.

A copy of the Company's Corporate Governance Statement can be found on the Company's website at **www.mecresources.com.au**

Consolidated Statement of Profit or Loss and other Comprehensive Income for the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Revenue	2	86,162	61,061
Other gains and losses	2	-	-
Other Income	2	123,025	(6,080)
Administration expenses		(154,481)	(73,075)
Consulting and legal expenses	3	(749,168)	(420,990)
Depreciation and amortisation expense		(815)	(893)
Employee expenses	3	(256,104)	(299,565)
Insurance expenses		(23,293)	(32,545)
Interest expenses		(2,230)	(3,024)
Exploration expenditure write off		(18,694,026)	-
Service Fees		-	(129,050)
Travelling expenses		(35,946)	(31,845)
Other expenses		(207,225)	(94,668)
Operating loss before income tax		(19,914,101)	(1,030,674)
Income tax expense	8	-	-
Operating loss for the year		(19,914,101)	(1,030,674)
Other Comprehensive Income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
Total Comprehensive loss for the period		(19,914,101)	(1,030,674)
Loss attributable to non-controlling interest		(10,087,538)	(129,781)
Loss attributable to owners of the company		(9,826,563)	(900,893)
Total Comprehensive loss attributable to non-controlling interest		(10,087,538)	(129,781)
Total Comprehensive loss attributable to the owners of the company		(9,826,563)	(900,893)
Earnings Per Share – Basic and diluted earnings per share (cents per share)	6	(0.30)	(0.44)

The accompanying notes form part of these financial statements.

Consolidated Statement of Financial Position

as at 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Current Assets			
Cash and cash equivalents	7	978,497	600,601
Trade and other receivables	9	291,336	126,644
Financial assets	13	465,127	385,646
Other current assets	10	29,474	26,777
Total Current Assets		1,764,434	1,139,668
Non-Current Assets			
Intangible assets	11	22,674	22,674
Evaluation and exploration expenditure	12	10,917,759	29,050,947
Financial assets	13	84,275	113,008
Property, plant & equipment	14	1,326	1,295
Total Non-Current Assets		11,026,034	29,187,924
Total Assets		12,790,468	30,327,592
Current Liabilities			
Trade and other payables	15	1,290,079	936,510
Provisions	16	132,168	85,727
Financial liabilities	17	813,422	813,422
Total Current Liabilities		2,235,669	1,835,659
Non-Current Liabilities			
Provisions	16	-	27,479
Total Non-Current Liabilities		-	27,479
Total Liabilities		2,235,669	1,863,138
Net Assets		10,554,799	28,464,454
Equity			
Issued capital	18	28,784,989	26,812,441
Option Reserve	19	16,268,145	15,847,037
Accumulated losses		(36,601,776)	(26,775,213)
Total Equity Attributable to Owners		8,451,358	15,884,265
Non-controlling Interest		2,103,441	12,580,189
Total Equity		10,554,799	28,464,454

The accompanying notes form part of these financial statements.

Consolidated Statement of Changes in Equity

for the year ended 30 June 2018

	Ordinary Share Capital $	Accumu-lated losses $	Option Reserve $	Contri-bution Reserve $	Total attributable to owners $	Non-controlling Interest $	Total Equity $
Balance at 1 July 2016	26,165,961	(25,874,320)	528,990	15,316,219	16,136,850	12,709,970	28,846,820
Loss attributable to members of the consolidated entity	-	(900,893)	-	-	(900,893)	(129,781)	(1,030,674)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	(900,893)	-	-	(900,893)	(129,781)	(1,030,674)
Transactions with owners in their capacity as owners							
Shares issued during the period (note 18)	646,480	-	-	-	646,480	-	646,480
Options issued during the financial period	-	-	1,828	-	1,828	-	1.828
Balance at 30 June 2017	26,812,441	(26,775,213)	530,818	15,316,219	15,884,265	12,580,189	28,464,454
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	-	(9,826,563)	-	-	(9,826,563)	10,087,538)	(19,914,101)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	(9,826,563)	-	-	(9,826,563)	(10,087,538)	(19,914,101)
Transactions with owners in their capacity as owners							
Transactions with non-controlling interest	-	-	-	420,460	420,460	(389,210)	31,250
Shares issued during the period (note 18)	1,972,548	-	-	-	1,972,548	-	1,972,548
Options issued during the financial period	-	-	648	-	648	-	648
Balance at 30 June 2018	28,784,989	(36,601,776)	531,466	15,736,679	8,451,358	2,103,441	10,554,799

The accompanying notes form part of these financial statements.

Consolidated Statement of Cash Flows

for the year ended 30 June 2018

	Note	Consolidated 2018 $	Consolidated 2017 $
Cash Flows From Operating Activities			
Payments to suppliers and employees		(1,065,932)	(899,264)
Interest received		6,682	5,674
Net cash used in operating activities	**20**	(1,059,250)	(893,590)
Cash Flows From Investing Activities			
Amounts loaned to other entities		-	-
Payments for property plant and equipment		(841)	(406)
Payment for deferred expenditure – (net of reimbursements)		(560,838)	(28,901)
Net cash (used in)/provided by investing activities		(561,679)	(29,307)
Cash Flows From Financing Activities			
Proceeds from Share Issue		1,998,906	646,480
Net cash provided by financing activities		1,998,906	646,480
Net increase (decrease) in Cash Held		377,896	(276,417)
Cash At the Beginning Of The Financial Year		600,601	877,018
Cash At The End Of The Financial Year	**7**	978,497	600,601

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

1. Statement of Significant Accounting Policies

Corporate Information

The financial report includes the consolidated financial statements and the notes of MEC Resources Ltd and its controlled entities ('Consolidated Group' or 'Group').

MEC Resources Ltd is a public listed company on the ASX, which is incorporated and domiciled in Australia. The financial report was authorised for issue on 31 August 2018 by the Board of Directors.

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the *Corporations Act 2001*. MEC Resources Ltd is a for-profit entity for the purpose of preparing the financial statements.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply. Material accounting policies adopted in the preparation of this financial report are presented below. They have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where stated below.

Compliance with IFRS

The consolidated financial statements of MEC Resources Ltd comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Financial Position/Going Concern Basis of Preparation

The Consolidated Group has incurred losses for the year ended 30 June 2018 of $19,914,101 (2017: $1,030,674) and has a net cash outflow from operating activities of $1,059,250 (2017: $893,590).

The Consolidated Group has a working capital deficit of $833,666 (Note 18b) as at 30 June 2018 (2017: $1,022,687) which includes cash assets of $978,497 as at 30 June 2018 (2017: $600,601), trade receivables of $291,336 (2017: $126,644), trade creditors and other payables of $1,290,079 and (2017: $936,515) and financial liabilities of $813,422 (2017: $813,422)

Included in trade creditors and payables are director fee accruals of $711,332 (2017: $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. In the event of termination of their services fees will become immediately payable, including any outstanding fees owed at 30 June 2018. In November 2016, the Directors of MEC Resources and Advent Energy agreed to reduce their Director fees to the nominal amount of $1 to further assist the Company. Director fees had previously been accrued at an agreed rate.

The Group's subsidiary Advent Energy Ltd, has no minimum work associated commitments for its exploration permits over the next 12 months under the terms of its petroleum titles in order to maintain tenure. Advent is continually seeking and reviewing potential sources of both equity and debt funding. Advent completed a strategic review of its core assets and is now embarking on a fresh marketing campaign to attract new investors and/or joint venture partners. Management has confidence that a suitable outcome will be achieved however there is no certainty at this stage that this will result in further funding being made available. The Company notes the progression of the Farmin by RL Energy to PEP11 potentially enables an expedited exploration work program in that title, for the benefit of the joint venture, Company and shareholders.

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 $420,260 which includes interest to 30 June 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. MEC Resources pursued a Summary Judgement application as an initial step through the District Court of Western Australia against BPH Energy Ltd for recovery of debts owing. The case was heard on 13 December 2017. On 23 February 2018 the Company announced that it had been advised that its summary judgment application 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 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 17.

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 12.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

1. Statement of Significant Accounting Policies (continued)

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity which MEC Resources Ltd is exposed or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. A list of controlled entities is contained in Note 25 to the financial statements. All controlled entities have a June financial year-end. As at reporting date, the assets and liabilities of all controlled entities have been incorporated into the consolidated financial statements as well as their results for the year then ended.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition and up to the effective date of disposal, as appropriate.

All inter-company balances and transactions between entities in the Consolidated Group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

Where controlled entities have entered or left the Consolidated Group during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under AASB 139 Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

(b) Business Combinations

Business combinations occur where control over another business is obtained and results in the consolidation of its assets and liabilities. All business combinations, including those involving entities under common control, are accounted for by applying the purchase method.

The purchase method requires an acquirer of the business to be identified and for the cost of the acquisition and fair values of identifiable assets, liabilities and contingent liabilities to be determined as at acquisition date, being the date that control is obtained. Cost is determined as the aggregate of fair values of assets given, equity issued, and liabilities assumed in exchange for. Any deferred consideration payable is discounted to present value using the entity's incremental borrowing rate. Acquisition-related costs are recognised in profit or loss as incurred.

Goodwill is recognised initially at the excess of cost over the acquirer's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If the fair value of the acquirer's interest is greater than cost, the surplus is immediately recognised in profit or loss.

(c) Income Tax

The charge for current income tax expense is based on the profit for the year adjusted for any non-assessable or disallowed items. It is calculated using the tax rates that have been enacted or are substantially enacted by the balance sheet date. Deferred tax is accounted for in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or liability is settled. Deferred tax is recognised in the statement of profit or loss and other comprehensive income except where it relates to items that may be recognised directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences or unused tax losses and tax credits can be utilised.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the Group will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

1. Statement of Significant Accounting Policies (continued)

(d) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost less accumulated depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of profit or loss and other comprehensive income during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over their useful lives to the consolidated Group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Class of Fixed Asset	Depreciation Rate
Plant and equipment	15.00 - 33.33%

(e) Exploration and Development Expenditure

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each statement of financial position date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward where right of tenure of the area of interest is current and to the extent that they are expected to be recouped through the successful development of the area or where activities in the area have not yet reached a stage that permits reasonable assessment of the existence of economically recoverable reserves. A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest. Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

Once the technical feasibility and commercial viability of the extraction of mineral resources in an area of interest are demonstrable, exploration and evaluation assets attributable to that area of interest are first tested for impairment and then reclassified from Intangible assets to mining property and development assets within property, plant and equipment. Should exploration be successful and result in a project, costs of site restoration are provided over the life of the facility from when exploration commences and are included in the costs of that stage. Site restoration costs include the dismantling and removal of mining plant, equipment and building structures, waste removal, and rehabilitation of the site in accordance with clauses of the mining permits. Such costs have been determined using estimates of future costs, current legal requirements and technology.

Any changes in the estimates for the costs are accounted on a prospective basis. In determining the costs of site restoration, there is uncertainty regarding the nature and extent of the restoration due to community expectations and future legislation. Accordingly, the costs have been determined on the basis that the restoration will be completed within one year of abandoning the site.

(f) Financial Instruments

Recognition and Initial Measurement

Financial instruments, incorporating financial assets and financial liabilities, are recognised when the Company becomes a party to the contractual provisions of the instrument. Trade date accounting is adopted for financial assets that are delivered within timeframes established by marketplace convention.

Financial instruments are initially measured at fair value plus transactions costs where the instrument is not classified as at fair value through profit or loss. Transaction costs related to instruments classified as at fair value through profit or loss are expensed to profit and loss immediately. Financial instruments are classified and measured as set out below.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the Company is no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expire. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit and loss.

Classification and Subsequent Measurement

(i) Financial assets at fair value through profit or loss

Financial assets are classified at fair value through profit and loss when they are held for trading for the purpose of short term profit taking, where they are derivatives not held for hedging purposes, or designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Realised and unrealised gains and losses arising from changes in fair value are included in the profit and loss in the period in which they arise.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are initially recognised at fair value plus any directly attributable transaction costs and are subsequently measured at amortised cost using the effective interest rate method.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

1. Statement of Significant Accounting Policies (continued)

Classification and Subsequent Measurement (continued)

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories.

The Group also has investments in unlisted shares that are not traded in an active market but that are also classified as available for sale financial assets and stated at fair value (because the directors consider that fair value can be reliably measured). Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve, with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets, which are recognised in profit or loss.

(iv) Financial Liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost using the effective interest rate method.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a significant or prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of profit or loss and other comprehensive income.

Assets carried at amortised cost

For loans and receivables, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases, and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

Assets classified as available-for-sale

If there is objective evidence of impairment for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in profit or loss.

Impairment losses on equity instruments that were recognised in profit or loss are not reversed through profit or loss in a subsequent period.

If the fair value of a debt instrument classified as available-for-sale increases in a subsequent period and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

(g) Derivatives

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in the statement of profit or loss and other comprehensive income immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in the statement of profit or loss and other comprehensive income depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(h) Impairment of Assets

The Group reviews non-financial assets, other than deferred tax assets, at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit" or "CGU"). An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the units, and then to reduce the carrying amounts of the other assets in the unit (group of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the Consolidated Financial Statements
for the year ended 30 June 2018

1. Statement of Significant Accounting Policies (continued)

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(j) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers.

Interest revenue is recognised when it is probable that the economic benefits will flow to the Group and the amount of revenue can be measured reliably. Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable.

Dividend revenue is recognised when the right to receive a dividend has been established. Dividends received from associates and joint venture entities are accounted for in accordance with the equity method of accounting.

Revenue from the rendering of a service is recognised by reference to the stage of completion of the contract. All revenue is stated net of the amount of goods and services tax (GST).

(k) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Trade and other payables

Liabilities are recognised for amounts to be paid in the future for goods or services received, whether or not billed to the Consolidated Group. The amounts are unsecured and are usually paid within 30 days. The carrying amounts of trade and other payables are assumed to be the same as their fair values due to their short-term nature. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

(m) Share based payments

Share based compensation benefits are provided to employees via the Company's Employee Option plan.

The fair value of options granted under the Company's Employee Option Plan is recognised as an employee benefit expense with a corresponding increase in equity. The fair value is measured at grant date and recognized over the period during which the employees become unconditionally entitled to the options.

The fair value at grant date is independently determined using an appropriate option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the share price at grant date and expected volatility of the underlying share, the expected dividend yield and risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the Company revises its estimate of the number of options that are expected to vest. The employee benefit expense recognised each period takes into account the most recent estimate. Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

(n) Earnings per share

Basic earnings per share (EPS) is calculated as net profit/loss attributable to members, adjusted to exclude costs of servicing equity (other than dividends) and preference share dividends, divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after-income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(o) Foreign Currency

The individual financial statements of each group entity are presented in the currency of the primary economic environment in which the entity operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group entity are expressed in Australian dollars ('$'), which is the functional currency of the company and the presentation currency for the consolidated financial statements. In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

(p) Comparative Figures

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

(q) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to statement of financial position. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits using a corporate bond rate.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

1. Statement of Significant Accounting Policies (continued)

(r) Critical Accounting Estimates and Judgements

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

Key Judgments —Impairment of capitalised and carried forward exploration expenditure

Exploration and evaluation costs are carried forward where right of tenure of the area of interest is current. These costs are carried forward in respect of an area that has not at statement of financial position date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(e). Refer to Note 12 for further discussion on the commitments of the exploration permits held by the Group.

(s) Application of New and Revised Accounting Standards

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Group, together with an assessment of the potential impact of such pronouncements on the Group when adopted in future periods, are discussed below:

– AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 July 2018).

The Standard will be applicable retrospectively (subject to the provisions on hedge accounting outlined below) and includes revised requirements for the classification and measurement of financial instruments requirements for financial instruments and hedge accounting.

The key changes that may affect the Group on initial application include certain simplifications to the classification of financial assets, simplifications to the accounting of embedded derivatives, upfront accounting for expected credit loss, and the irrevocable election to recognise gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. AASB 9 also introduces a new model for hedge accounting that will allow greater flexibility in the ability to hedge risk, particularly with respect to hedges of non-financial items. Should the entity elect to change its hedge policies in line with the new hedge accounting requirements of the Standard, the application of such accounting would be largely prospective.

The directors do not anticipate that the adoption of AASB 9 will have a material impact on the Group's financial instruments.

– AASB 15: Revenue from Contracts with Customers (applicable to annual reporting periods beginning on or after 1 July 2018, as deferred by AASB 2015-8: Amendments to Australian Accounting Standards – Effective Date of AASB 15).

AASB 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers.

When effective, this Standard will replace the current accounting requirements applicable to revenue with a single, principles-based model. Apart from a limited number of exceptions, including leases, the new revenue model in AASB 15 will apply to all contracts with customers as well as non-monetary exchanges between entities in the same line of business to facilitate sales to customers and potential customers.

The core principle of the Standard is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for the goods or services. To achieve this objective, AASB 15 provides the following five-step process:

- identify the contract(s) with a customer;
- identify the performance obligations in the contract(s);
- determine the transaction price;
- allocate the transaction price to the performance obligations in the contract(s); and
- recognise revenue when (or as) the performance obligations are satisfied.

Based on a preliminary assessment performed, the effects of AASB 15 are not expected to have a material effect on the Group.

– AASB 16: Leases (applicable to annual reporting periods beginning on or after 1 July 2019).

When effective, this Standard will replace the current accounting requirements applicable to leases in AASB 117: Leases and related Interpretations. AASB 16 introduces a single lessee accounting model that eliminates the requirement for leases to be classified as operating or finance leases.

The main changes introduced by the new Standard are as follows:

- recognition of a right-of-use asset and lease liability for all leases (excluding short-term leases with a lease term 12 months or less of tenure and leases relating to low-value assets);
- depreciation of right-of-use assets in line with AASB 116: Property, Plant and Equipment in profit or loss and unwinding of the liability in principal and interest components;
- inclusion of variable lease payments that depend on an index or a rate in the initial measurement of the lease liability using the index or rate at the commencement date;
- application of a practical expedient to permit a lessee to elect not to separate non-lease components and instead account for all components as a lease; and
- inclusion of additional disclosure requirements.

The transitional provisions of AASB 16 allow a lessee to either retrospectively apply the Standard to comparatives in line with AASB 108 or recognise the cumulative effect of retrospective application as an adjustment to opening equity on the date of initial application.

As the entity has no leases the directors do not anticipate that the adoption of AASB 16 will have a material effect on the Group.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

	Consolidated 2018 $	Consolidated 2017 $
2. Revenue		
Interest Revenue	6,682	5,674
Interest revenue: other entities	79,481	55,387
Total revenue	86,162	61,061
Other Income and gains and losses		
Net gain/(loss) on the sale of assets	-	-
Net gain/(loss) on financial assets designated as fair value through profit and loss	(28,732)	(57,465)
	-	-
Other income – R&D tax rebate	151,757	51,385
	123,025	(6,080)

3. Loss For The Year

	2018 $	2017 $
Expenses		
Employee Expenses		
Salary	231,908	279,134
Superannuation expense	23,548	18,620
Other payroll expenses	648	1,811
	256,104	299,565
Consulting and Legal		
Consulting fees	496,575	181,996
Legal fees	252,593	238,994
	749,168	420,990
Exploration expenditure write off	18,694,026	-

The increase in consulting costs is directly attributable to MEC's investee company Advent Energy performing and completing its 2D seismic campaign in PEP 11 in April 2018. Advent Energy through its wholly owned subsidiary Asset Energy completed a 2-dimensional seismic survey of approximately 200 line km pursuant to an environment plan accepted by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA). This activity was designed to satisfy the Year 2 work commitment for PEP11.

Despite additional legal challenges being brought by the former managing director and his associates the Company's legal costs have remained constant from the prior year as a direct result of a review of legal expenditure. A decision was made to rationalise all legal expenses and responses have only been provided to these challenges where required.

The capitalised costs were assessed for impairment by reference to the value implied for PEP 11 by virtue of the recent Farmin agreement entered into with RL Energy Pty Ltd. Based on this assessment the asset was considered to be impaired and an adjustment to the current fair value was booked at 30 June 2018.

	Consolidated	
	2018 $	2017 $

4. Auditors' Remuneration

Remuneration of the auditor of the parent entity for:		
Moore Stephens	15,000	-
HLB Mann Judd	8,500	24,500
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries		
Moore Stephens	5,000	-
HLB Mann Judd	-	5,500
	28,500	30,000

5. Key Management Personnel Compensation

(a) Names and positions held of economic and parent entity key management personnel in office at any time during the financial year are:

Key Management Personnel

H Goh – *Non-Executive Chairman*

K O Yap – *Non-Executive Director*

D Ambrosini – *Executive Director*

H Yu – *Non-Executive Director*

D Moore – Non-Executive Director

D Hoff – Non-Executive Director of Advent

S Kelemen – Non-Executive Director of Advent (Appointed 8 February 2018)

G Channon – Non-Executive Director of Advent (Resigned 30 November 2017)

	Consolidated	
	2018 $	2017 $
Short term employee benefits	136,859	168,259
Share based payments	-	-
	136,859	168,259

Included in consolidated trade creditors and payables are director fee accruals of $711,332 (30 June 2017: $711,332).

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

5. Key Management Personnel Compensation (continued)

Director	MEC Resources Ltd Amount Owing 30 June 2018 $	Advent Energy Ltd Amount Owing 30 June 2018 $	Consolidated Amount Owing 30 June 2018 $
Goh Hock	110,206	191,615	301,821
K O Yap	49,185	-	49,185
Deborah Ambrosini	25,741	85,394	111,135
Previous Directors	41,738	207,453	227,018
Balance owing	226,870	484,462	711,332

Key management personnel remuneration is disclosed in the remuneration report included in the director's report.

6. Earnings per share

		Consolidated 2018 $	Consolidated 2017 $
(a)	Reconciliation of Earnings to Profit or Loss		
	Net loss attributable to members of the parent	(9,826,563)	(900,893)
	Earnings used to calculate basic and diluted EPS	(9,826,563)	(900,893)
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	252,234,601	186,766,240
	Loss per share (cents per share)	(0.30)	(0.44)

The company's potential ordinary shares, being its options granted, are not considered dilutive as the conversion of these options will result in a decreased net loss per share.

7. Cash and cash equivalents

	2018 $	2017 $
Cash at bank and in hand	978,497	600,601

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	978,497	600,601

		Consolidated	
		2018 $	2017 $
8.	**Income Tax Expense**		
(a)	The components of tax expense comprise:		
	Current tax	-	-
	Deferred tax	-	-
	The expense for the year can be reconciled to accounting loss as follows:		
	Loss from continuing operations	(19,914,101)	(1,030,674)
	Prima facie tax payable on profit from ordinary activities before income tax at 27.5% (2017: 27.5%)	(5,476,378)	(283,439)
	Non deductible expenses	5,218,222	65,723
	Difference in tax rates of parent which is taxed at 25% (due to pooled development fund status)	15,674	13,908
	Unused tax losses not recognised as deferred tax assets	242,482	203,808
		-	-
	Weighted average rate of tax	-%	-%
(b)	The following deferred tax balances at 27.5% (2017: 27.5%) have not been recognised		
	Deferred Tax Assets:		
	Temporary differences	163,244	155,360
	Carry forward revenue losses	15,058,973	14,815,774
(c)	Unrecognised deferred liabilities		
	Exploration Expenditure	3,008,536	7,995,162

The above Deferred Tax Liabilities have not been recognised as they have been offset against to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.

The tax benefits of the above Deferred Tax Assets will only be obtained if:

(i) company derives future assessable income in a nature and of an amount sufficient to enable the benefits to be utilised;

(ii) the company continues to comply with the conditions for deductibility imposed by law; and

(iii) no changes in income tax legislation adversely affect the company in utilising the benefits.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

	Consolidated 2018 $	Consolidated 2017 $
9. Trade and other receivables		
Current		
Trade receivables	105,006	105,006
Net GST receivables	21,638	21,638
Other receivables - RD accrual	100,000	-
	291,336	126,644
Ageing of past due but not impaired		
30-60 days	115,094	-
60-90 days	-	-
120 days and over	22,506	105,006
Total	137,600	105,006

10. Other Assets

	2018 $	2017 $
Current		
Prepaid expenses	29,474	26,777
	29,474	26,777

11. Intangibles

	2018 $	2017 $
Intangibles – Contacts database	22,674	22,674
	22,674	22,674

12. Capitalised Exploration Costs

	2018 $	2017 $
Exploration expenditure capitalised		
Exploration and evaluation phases	10,917,759	29,050,947
	10,917,759	29,050,947
Reconciliation of movement during the year		
Opening balance at 1 July	29,050,947	29,022,046
Capitalised expenditure – PEP11	548,221	10,000
Expenditure written off – PEP 11	(18,694,026)	-
Capitalised expenditure – EP386	12,617	18,901
Balance at 30 June	10,917,759	29,050,947

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of natural gas. Capitalised costs amounting to $560,838 (2017: $28,901) have been included in cash flows from investing activities in the statement of cash flows. Receipts for the sale of capitalised items of $nil (2017: $nil) have been included in cash flows from investing activities in the statement of cash flows.

The capitalised costs were assessed for impairment by reference to the value implied for PEP 11 by virtue of the recent Farmin agreement entered into with RL Energy Pty Ltd. Based on this assessment the asset was considered to be impaired and an adjustment to the current fair value was booked at 30 June 2018.

As at the date of these accounts the consolidated group has no work commitments for its exploration permits over the next 12 months from the reporting date under the terms of its petroleum licences in order to maintain tenure.

On 4 May 2018, the Company advised that a conditional farm-in agreement had been entered into between Asset Energy Pty Ltd (a wholly owned subsidiary of Advent) and RL Energy Pty Ltd (RL Energy), whereby RL Energy may earn an interest of up to 60% in PEP11 by completing a 3D seismic survey in PEP11 and carrying Asset Energy's costs in that survey up to $4 million.

Key terms of the agreement include, but are not limited to:

- RL Energy having the right to earn a 5% interest in PEP11 by preparing and submitting all documents and reports in support of an environmental approval process for the proposed 3D seismic program. The costs associated with the preparation of the environment plan documents and reports are to be met by RL Energy and will not count towards the capped expenditure amount referred to above.
- RL Energy having the right to earn a further 55% interest in PEP11 upon the acquisition, processing and interpretation of a 500km^2 (or greater) 3D seismic survey in PEP11 to cover key structural targets. The 3D seismic works will be subject to the availability of a suitable seismic vessel.

Conditions precedent to the agreement include, but are not limited to:

- Regulatory approval of the agreement.
- Asset Energy confirming that its ultimate parent entity (MEC) has sought and received shareholder approval to the transaction. The ASX used their discretion to determine that RL

Energy is a person to whom Listing Rule 10.1 will apply. Accordingly, the Company was required to comply with Listing Rules 10.7 and 10.10. The Company sought and achieved shareholder approval through general meeting of the Company on 31 July 2018, and an independent expert report was included in the notice of meeting that described the conditional transaction as "fair and reasonable" to MEC shareholders.

Asset Energy Pty Ltd has invested over $25 million in the PEP11 title in recent history, and, along with its JV partner Bounty Oil and Gas NL, is committed to continuing to explore for and ultimately exploit any petroleum accumulations which may be identified in this title area.

Advent has been requested to provide a well management plan, environment plan and safety case for the decommissioning of Waggon Creek-1 and Vienta-1 in EP386 by 28 September 2018.It is anticipated that appropriate application will be made to DMIRS in due course to allow Advent to complete these works in a suitable timeframe.

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.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

	Consolidated 2018 $	Consolidated 2017 $
13. Financial Assets		
Current		
Loan receivable	465,127	385,646
Total	465,127	385,646
Loans receivable		
Loan to Grandbridge Limited (a)	44,867	44,867
Loan to BPH Energy Ltd (b)	420,260	340,779
Fair Value through Profit and Loss Financial Assets		
Investment in BPH Energy Limited	14,364	43,097
Available for sale financial assets		
Investment in Molecular Discovery Systems Ltd	69,911	69,911
	84,275	113,008

(a) 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 have purported to assign the receivable of this purported loan to BPH Energy Limited. The Company disputes the assignment of the purported debt.

(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 total 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 30 June 2018 was $420,260 (2017: $340,779).

	Consolidated	
	2018 $	2017 $

14. Property, Plant and Equipment

	2018 $	2017 $
Plant and Equipment:		
At cost	22,385	21,539
Accumulated depreciation	(21,059)	(20,244)
Total Property, Plant and Equipment	1,326	1,295
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.		
Consolidated Entity:		
Balance at the beginning of the year	1,295	1,782
Additions	846	406
Depreciation expense	(815)	(893)
Carrying amount at the end of the year	1,326	1,295

15. Trade and other payables

	2018 $	2017 $
Trade payables	230,473	121,497
Sundry payables and accrued expenses	1,059,606	815,013
	1,290,079	936,510

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

16. Provisions

	Consolidated 2018 $	Consolidated 2017 $
Current		
Employee entitlements:		
Opening balance at 1 July	31,368	9,347
Increase/Decrease in provision	18,957	(5,463)
Balance at 30 June	50,325	3,884
Share sale agreement		
Opening balance at 1 July	81,843	81,843
Increase in provision	-	-
Balance at 30 June	81,843	81,843
Total Current Provisions	132,168	85,727

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual leave and long service leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report. All long service leave entitlements are now classified as current as all employees have been employed by MEC Resources for at least 10 years.

Provision for Share Sale Agreement

A provision has been recognised for the payment of fees to relevant parties upon the successful listing of Advent Energy Ltd.

	Consolidated 2018 $	Consolidated 2017 $
Non-Current		
Employee entitlements:		
Opening balance at 1 July	-	27,484
Increase/(Decrease) in provision	-	(5)
Balance at 30 June	-	27,479

17. Financial Liabilities

Loans payable - Current Liabilities (a)		
Loan from BPH Energy Limited	41,935	41,935
Loan from Grandbridge Limited	770,129	770,129
Loans from other entities	1,358	1,358
	813,422	813,422

(a) 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 recently 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.

	Consolidated	
	2018 $	2017 $

18. Issued Capital

	2018 $	2017 $
331,060,460 (2017: 223,123,227) fully paid ordinary shares	29,825,208	27,842,590
Less: Capital raising costs	(1,040,219)	(1,030,149)
Issued Capital	28,784,989	26,812,441

The company does not have an authorised capital and issued shares have no par value.

	2018	2017	2018	2017
Ordinary Shares	$	$	No	No
At the beginning of reporting period	26,812,441	26,165,961	223,123,227	200,034,633
Shares issued – SPP	539,500	646,480	30,851,978	23,088,594
Share issued – Rights Issue	1,064,065	-	59,114,729	-
Placement shares issued	379,053	-	17,970,526	-
Capital Raising cost	(10,070)	-	-	-
At reporting date	28,784,988	26,812,441	331,060,460	223,123,227

Fully Paid Ordinary Share Capital

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

(a) Options

There were 61,514,729 unlisted options on issue at the end of the year:

Total number option MEC Resources	Exercise price	Expiry date
2,400,000	$0.06	31 March 2020
59,114,729	$0.04	22 June 2020
61,514,729		

The market price of the company's ordinary shares at 30 June 2018 was 1.7 cents.

The holders of options do not have the right, by virtue of the option, to participate in any share issue or interest issue of any other body corporate or registered scheme.

(b) Capital risk management

The Group's and the parent entity's objectives when managing capital are to safeguard their ability to continue as a going concern, so that they may continue to provide returns for shareholders and benefits for other stakeholders.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

18. Issued Capital (continued)

The focus of the Group's capital risk management is the current working capital position against the requirements of the Group to meet corporate overheads and exploration commitments. The Group's strategy is to ensure appropriate liquidity is maintained to meet anticipated operating requirements, with a view to initiating appropriate capital raisings as required. The working capital position of the Group and the parent entity at 30 June 2018 and 30 June 2017 are as follows:

	Consolidated	
	2018 $	2017 $
Cash and cash equivalents	978,497	600,601
Trade and other receivables	291,336	126,644
Trade Payables and financial liabilities	(2,103,501)	(1,749,932)
Working capital position	(833,668)	(1,022,687)

Refer to Note 1 for working capital and financial position note.

19. Reserves

Options Reserve (a)	531,466	530,818
Contributions Reserve (b)	15,736,679	15,316,219
	16,268,145	15,847,037

(a) The option reserve records items recognised as expenses in respect of the granting of Director and Employee share options.

(b) The purpose of the contribution reserve is to reflect the effect on equity of changes in ownership of the outside equity interest.

Option Reserve

Reconciliation of movement

Opening balance	530,818	528,990
Options charged during the year	648	1,828
Closing balance	531,466	530,818

Contribution Reserve

Reconciliation of movement

Opening balance	15,316,219	15,316,219
Reclassification of NCI to Contribution reserve	420,460	-
Closing balance	15,736,679	15,316,219

The Group has reclassified outside equity interest to a contribution reserve to reflect the relative interest of the outside equity interest in the equity of the controlled entities.

	Consolidated	
	2018 $	2017 $

20. Cash Flow Information

(a) Reconciliation of Cash Flow from Operations with Profit after income tax

	2018 $	2017 $
Operating loss after income tax	(19,914,101)	(1,030,674)
Non-cash flows in profit:		
Depreciation	815	893
Revaluation on investments	28,732	57,465
Share based payments	5,600	1,832
Exploration expenditure written off	18,694,026	-
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	(164,757)	(8,321)
(Increase)/decrease in other assets	(82,172)	(52,036)
Increase/(decrease) in trade payables and accruals	353,645	142,719
Increase/(decrease) in provisions	18,962	(5,468)
Net cash flow from operating activities	(1,059,250)	(893,590)

21. Financial Risk Management

(a) Financial Risk Management

The Group's financial instruments consist mainly of deposits with banks, short-term investments, investments held for trading, accounts receivable and payable, and loans to and from related parties. The main purpose of non-derivative financial instruments is to raise finance for group operations policies.

i. Financial Risk Exposures and Management

The main risks the Group is exposed to through its financial instruments are interest rate risk, liquidity risk, credit risk and equity price risk.

Interest rate risk
Interest rate risk is managed with a mixture of fixed and floating rate debt.

Liquidity risk
The Group manages liquidity risk by monitoring forecast cash flows.

Credit risk
The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the statement of financial position and notes to the financial statements.

Credit risk for derivative financial instruments arises from the potential failure by counter-parties to the contract to meet their obligations.

Equity Price Risk
The Group is exposed to equity price risks arising from equity investments. The performance of equity investments is reviewed biannually to market. The Group holds a diversified portfolio with investments in biotech and oil & gas exploration to manage this risk.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

21. Financial Risk Management (continued)

i. Financial Risk Exposures and Management (continued)

Equity Price Sensitivity Analysis

The sensitivity analyses below have been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 5% higher/lower:

Net loss for the year ended 30 June 2018 would decrease/increase $718 (2017: increase/decrease by $2,155) as a result of the changes in fair value of financial assets through the profit and loss; and

The Group's sensitivity to equity prices has not changed significantly from the prior year.

(b) Financial Instruments

i. Interest rate risk

The Group's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

2018	Effective Average Interest Rate Payable %	Floating Interest Rate $	Fixed Interest Rate $	Non-Interest Bearing $	Total $
Financial Assets					
Cash and cash equivalents	1.50%	978,497	-	-	978,497
Trade and other receivables	-	-	-	291,336	291,336
Financial Assets -current	-	-	420,260	44,867	465,127
Financial Assets- non-current	20.79%	-	-	84,275	84,275
		978,497	420,260	420,478	1,819,235
Financial Liabilities					
Trade and sundry Payables	-	-	-	1,290,079	1,290,079
Financial liabilities	-	-	-	813,422	813,422
		-	-	2,103,501	2,103,501

2017	Effective Average Interest Rate Payable %	Floating Interest Rate $	Fixed Interest Rate $	Non-Interest Bearing $	Total $
Financial Assets					
Cash and cash equivalents	1.50%	600,601	-	-	600,601
Trade and other receivables	-	-	-	126,644	126,644
Financial Assets -current	-	-	340,779	44,867	385,646
Financial Assets- non-current	20.79%	-	-	113,008	113,008
		600,601	340,779	284,519	885,120
Financial Liabilities					
Trade and sundry Payables	-	-	-	936,515	936,515
Financial liabilities	-	-	-	813,422	813,422
		-	-	1,749,937	1,749,937

ii. Fair Values

The fair values of:

- Term receivables are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- Listed investments have been valued at the quoted market bid price at balance date. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation based on valuation techniques that are not based on observable market data.
- Other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings to their present value.
- Other assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

Aggregate fair values and carrying amounts of financial assets and financial liabilities at balance date:	Consolidated			
	2018		2017	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Financial assets at fair value through profit or loss	14,365	14,365	43,097	43,097
Available for sale financial assets	69,911	69,911	69,911	69,911
Loans and receivables	756,463	756,463	512,290	512,290
	840,739	840,739	625,298	625,298
Financial Liabilities				
Other loans and amounts due	813,422	813,422	813,422	813,422
Other liabilities	1,290,079	1,290,079	936,515	936,515
	2,103,501	2,103,501	1,749,937	1,749,937

iii. Sensitivity Analysis

Interest Rate Risk

The Group has performed sensitivity analysis relating to its exposure to interest rate risk at balance date. This sensitivity analysis demonstrates the effect on the current year results and equity which could result from a change in these risks.

Interest Rate Sensitivity Analysis

The effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group	
	2018	2017
Change in profit		
– Increase in interest rate by 1%	52	4,000
– Decrease in interest rate by 0.5%	(26)	(2,000)

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

21. Financial Risk Management (continued)

iv. Liquidity risk

The Group manages liquidity risk by maintaining adequate reserves and banking facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Liquidity is the risk that the company will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The following are the contractual maturities at the end of the reporting period of financial liabilities.

30 June 2018

		Contractual cash flows					
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	1,290,079	(1,290,079)	-	(1,290,079)	-	-	-
Unsecured loans	813,422	(813,422)	-	(813,422)	-	-	-
	2,103,501	(2,103,501)	-	(2,103,501)	-	-	-

30 June 2017

		Contractual cash flows					
	Carrying amount	Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	936,515	(936,515)	-	(936,515)	-	-	-
Unsecured loans	813,422	(813,422)	-	(813,422)	-	-	-
	1,749,937	(1,749,937)	-	(1,749,937)	-	-	-

(c) Fair value measurements recognised in the statement of financial position

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

30 June 2018	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
– Investments in listed entities	14,365	-	-	14,365
Available for sale financial assets				
– Investments in unlisted entities	-	-	69,911	69,911
Total	14,365	-	69,911	84,276

30 June 2017	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
– Investments in listed entities	43,097	-	-	43,097
Available for sale financial assets				
– Investments in unlisted entities	-	-	69,911	69,911
Total	43,097	-	69,911	113,008

Reconciliation of Level 1 fair value measurements of financial assets:

	2018 Investments in listed entities (Level 1)	2017 Investments in listed entities (Level 1)
Opening balance	43,097	43,097
Add: Purchases	-	-
Total gains or loss in the profit and loss	(28,732)	-
Proceeds from sale of listed investments	-	-
Closing balance	14,365	43,097

The Consolidated Group sold its investment in Central Petroleum Ltd in the prior period.
Reconciliation of Level 3 fair value measurements of financial assets:

	2018 Available for sale (Level 3)	2017 Available for sale (Level 3)
Opening balance	69,911	69,911
Add: Purchases	-	-
Total gains or loss in the profit and loss	-	-
Closing balance	69,911	69,911

The company received through an in-specie distribution an investment in Molecular Discovery Systems Ltd in January 2010. The investment in Molecular Discovery Systems Ltd was an arm's length transaction.

The fair value of the Group's investment in MDSystems as at 30 June 2018 has been arrived at on the basis of a valuation performed at 30 June 2015 by an independent expert valuer to the company and reassessed by management at 30 June 2018. The valuer holds the appropriate qualifications and recent experience in the valuation of investments of this nature. The fair value was determined using the relative valuation methodology. The approach considers the value of broadly comparable listed entities which are at a similar stage of biotechnology product life cycle to MDSystems. The valuation supported the carrying value of MEC's AFS investment in the company.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

22. Operating Segment

Identification of reportable segments

The Group has identified its operating segments based on the internal reports that are reviewed and used by the Board and their 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. Financial information of these investments is reported to the Board and their management team on at least a monthly basis. Currently, management's focus is on the exploration program of Advent Energy project's PEP 11, RL1 and EP 386, which is disclosed in Note 12.

The Group operates predominantly in one industry, namely investments in energy and mineral 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.

23. Events after the Balance Sheet Date

On 6 July 2018 MEC Resources increased its investment into Advent Energy Ltd to 50.00%.

On 17 May 2018, MEC Resources announced that it had received notices under section 249D of the *Corporations Act 2001* (Cth) on behalf of Protax Nominees Pty Ltd, Anstey Superannuation Fund Pty Ltd, Paul Anstey & Co Pty Ltd, Paul Emile Richards Anstey and Mrs Katherine Jean Anstey, Steven Craig James, Roger Julian Glyn Davenport and Mrs Frances Davenport, AVCO Pty Ltd, Mr Valentine Durnin, Mr Valentine Durnin and Mrs Pauline Durnin, Ms Claire Durnin, Mr Peter Durnin and Mr Joseph Durnin, Avatar Energy Pty Ltd, Kinetas Pty Ltd, Superfold Pty Ltd, Mr Thomas Andrew Keith Wilson and Mr David Booth & Mrs Tracey Booth who, in aggregate, held approximately 6.2% of MEC's share capital. The notices sought to convene a meeting to remove all of the existing Directors of the Company and appoint three new Directors recommended by the convening parties.

The meeting was held on the 10th July 2018 where an overwhelming majority of shareholders voted against the removal of the existing Board and the appointment of the three alternate Directors at this meeting.

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 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 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 total shareholders who voted at the meeting voting in favour of the resolution.

During July 2018 MEC Resources issued 10,807,586 shortfall shares under the non-renounceable rights issued announced on 8 May 2018.

On 24 July 2018 MEC Resources announced the resignation of Mr Goh Hock, Mr KO Yap, Mr Heng Yu and Mr Darryl Moore from the Board of MEC. Mr Michael Sandy was appointed as the new Chair of MEC while Mr Andrew Bald and Mr Matthew Battrick joined the board as Non – Executive Directors.

24. Related Party Transactions

(a) Directors' Remuneration

Details of directors' remuneration and retirement benefits are disclosed in the remuneration report in the Directors report and note 5.

	Parent	
	2018	**2017**
	$	**$**
(b) Directors' Equity Holdings		
Ordinary Shares		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	20,729,910	15,613,099
Advent Energy Ltd	3,000,000	7,000,000
Unlisted Options		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	4,259,017	-
Advent Energy Ltd	-	-

(c) Related entities

A loan facility exists between Advent and its parent entity MEC, $3,600,000 (2017: $3,600,000). The loan is secured by a charge over all of the assets and rights of Advent Energy including but not limited to, all real and personal property, choses in action, goodwill and called but unpaid nominal and premium capital. The loan is due and payable on the earlier of a successful capital raising or the date that MEC issues a notice for repayment. On 28 August 2018 MEC Resources signed a variation to their secured loan agreement with Advent Energy Ltd which varied the agreement to incorporate a fixed repayment date, 12 months from the date of this report or until Advent's financial position improved. In any event the extension is to be refreshed and approved by MEC Resources after a 12-month period. .

(d) Directors

The company has an agreement with Deborah Ambrosini and $136,859 (2017: $63,268) was paid during the year.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

25. Controlled Entities and Non-Controlling Interests

(a) Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
Parent Entity			**2018**	**2017**
MEC Resources Limited	Investment	Australia		
Subsidiaries of MEC Resources Ltd				
Advent Energy Limited	Oil and Gas exploration and development	Australia	47.06	44.29
Asset Energy Pty Ltd	Oil and Gas exploration and development	Australia	47.06	44.29
Onshore Energy Pty Ltd	Oil and Gas exploration and development	Australia	47.06	44.29

MEC owns 47.06% equity interest in Advent and its subsidiaries and consequentially does not control more than half of the voting power of those shares. However, two members of the Board of MEC are on the Board of Advent and therefore has the ability to partake in decisions to add and remove directors of Advent. MEC directors abstain from Board decisions in Advent where a conflict exists, and the two independent Directors have the decision-making power. MEC has control over the financial and operating policies of Advent. Therefore, Advent is controlled by the Group and is consolidated in these financial statements.

(b) Non-Controlling Interests

Ownership interests and voting rights in Advent and its subsidiaries, held by non-controlling interests make up 47.06%.

Summarised financial information of Advent and its subsidiaries are as follows:

2018	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Revenues	Loss for the Year	Total Compre-hensive Loss for the Year
Advent Energy Ltd	3,012,890	8,979,105	2,395,426	3,600,000	215	(18,939,516)	(18,939,516)
	3,012,890	8,979,105	2,395,426	3,600,000	215	(18,939,516)	(18,939,516)
Asset Energy Pty Ltd	115,654	1,314,196	2,438,549	-	-	(5,537)	(5,537)
	115,654	1,314,196	2,438,549	-	-	(5,537)	(5,537)
Onshore Energy Pty Ltd	2,092	884,800	653,005	-	-	(88,038)	(88,038)
	2,092	884,800	653,005	-	-	(88,038)	(88,038)

2017	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Revenues	Loss for the Year	Total Compre-hensive Loss for the Year
Advent Energy Ltd	2,235,966	27,658,714	1,806,184	3,600,000	294	(209,432)	(209,432)
	2,235,966	27,658,714	1,806,184	3,600,000	294	(209,432)	(209,432)
Asset Energy Pty Ltd	1,247	768,404	1,772,811	-	-	(831)	(831)
	1,247	768,404	1,772,811	-	-	(831)	(831)
Onshore Energy Pty Ltd	227	884,800	563,101	-	-	(25,274)	(25,274)
	227	884,800	563,101	-	-	(25,274)	(25,274)

Notes to the Consolidated Financial Statements
for the year ended 30 June 2018

26. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2018:

There were 2,400,000 unlisted employee options on issue at the end of the year:

Number under option MEC Resources	Exercise price	Expiry date
2,400,000	$0.06	30 March 2020
2,400,000		

At balance date, nil MEC share options have been exercised (2017: nil).

All options granted to key management personnel are ordinary shares in MEC Resources Ltd or its subsidiary Advent Energy Ltd, which confer a right of one ordinary share for every option held.

During the year, nil options (2017: nil) were issued under the company's employee share option plan.

	MEC Resources Ltd			
	2018		2017	
	Number of Options	Weighted Average Exercise Price $	Number of Options	Weighted Average Exercise Price $
Outstanding at the beginning of the year	3,350,000	$0.071	3,350,000	$0.071
Granted	59,114,729	$0.04	-	-
Exercised	-	-	-	-
Expired / Cancelled	(950,000)	$0.10	-	-
Outstanding at year-end	61,514,729	$0.041	3,350,000	$0.071
Exercisable at year-end	61,514,729	$0.041	2,550,000	$0.075

27. Contingent 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.

28. 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.

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

	Consolidated	
	2018 $	2017 $
Work Program Commitments – Exploration permits		
Payable:		
Within one year	-	20,520,500
Greater than one year less than five years	18,225,000	-
Total	18,225,000	20,520,500

As at the date of these accounts the consolidated group has no work commitments for its exploration permits over the next 12 months from the reporting date under the terms of its petroleum licences in order to maintain tenure.

On 4 May 2018, the Company advised that a conditional farm-in agreement had been entered into between Asset Energy Pty Ltd (a wholly owned subsidiary of Advent) and RL Energy Pty Ltd (RL Energy), whereby RL Energy may earn an interest of up to 60% in PEP11 by completing a 3D seismic survey in PEP11 and carrying Asset Energy's costs in that survey up to $4 million.

Key terms of the agreement include, but are not limited to:

- RL Energy having the right to earn a 5% interest in PEP11 by preparing and submitting all documents and reports in support of an environmental approval process for the proposed 3D seismic program. The costs associated with the preparation of the environment plan documents and reports are to be met by RL Energy and will not count towards the capped expenditure amount referred to above.
- RL Energy having the right to earn a further 55% interest in PEP11 upon the acquisition, processing and interpretation of a 500km^2 (or greater) 3D seismic survey in PEP11 to cover key structural targets. The 3D seismic works will be subject to the availability of a suitable seismic vessel.

Conditions precedent to the agreement include, but are not limited to:

- Regulatory approval of the agreement.
- Asset Energy confirming that its ultimate parent entity (MEC) has sought and received shareholder approval to the transaction. The ASX used their discretion to determine that RL Energy is a person to whom Listing Rule 10.1 will apply. Accordingly, the Company was required to comply with Listing Rules 10.7 and 10.10. The Company sought and achieved shareholder approval through general meeting of the Company on 31 July 2018, and an independent expert report was included in the notice of meeting that described the conditional transaction as "fair and reasonable" to MEC shareholders.

Asset Energy Pty Ltd has invested over $25 million in the PEP11 title in recent history, and, along with its JV partner Bounty Oil and Gas NL, is committed to continuing to explore for and ultimately exploit any petroleum accumulations which may be identified in this title area.

Advent has commitments to provide a well management plan, environment plan and safety case for the decommissioning of Waggon Creek-1 and Vienta-1 in EP386 by 28 September 2018. It is anticipated that appropriate application will be made to DMIRS in due course to allow Advent to complete these works in a suitable timeframe.

Notes to the Consolidated Financial Statements

for the year ended 30 June 2018

29. Parent Entity Disclosures

	2018 $	2017 $
Financial Position		
Assets		
Current assets	6,317,487	5,476,064
Non-current assets	3,849,077	3,460,800
Total asset	10,166,564	8,936,864
Liabilities		
Current liabilities	832,421	667,431
Non-current liabilities	-	27,479
Total liabilities	832,421	694,910
Equity		
Issued Capital	28,810,990	26,812,441
Retained earnings	(19,919,121)	(19,038,113)
Reserves		
Option Reserve	442,274	467,626
Total equity	9,334,143	8,241,954
Financial Performance		
Loss for the year	(881,008)	(795,147)
Other comprehensive income	-	-
Total comprehensive income	(881,008)	(795,147)

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 30 to 68, are in accordance with the *Corporations Act 2001* and:

    (a) comply with Accounting Standards and the Corporations Regulations 2001; and

    (b) give a true and fair view of the financial position as at 30 June 2018 and of the performance for the year ended on that date of the consolidated entity;

2. the Financial Statements and Notes comply with International Accounting Standards as disclosed in Note 1;

3. the directors have been given the declarations required by S295A of the *Corporations Act 2001*.

4. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to S295(5) of the *Corporations Act 2001*.

Director

Deborah Ambrosini
Executive Director

Dated this 31st Day of August 2018

Independent Auditor's Report

MOORE STEPHENS

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

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REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the financial report of MEC Resources Limited (the Company) and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2018, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

c) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:

   i. giving a true and fair view of the Group's financial position as at 30 June 2018 and of its financial performance for the year then ended; and

   ii. complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Report section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the "Code") that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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 given to the directors as at the time of this auditor's report.

Material Uncertainty Related to Going Concern

In forming our opinion on the Group financial statements, which is not modified, we have considered the adequacy of the disclosure made in Note 1 to the financial statements concerning the Group's ability to continue as a going concern. The conditions explained in Note 1 to the financial statements 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 financial statements do not include any adjustments that would result if the Group were unable to continue as a going concern.

MOORE STEPHENS

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

Material Uncertainty Regarding Carrying Value of Exploration Expenditure

We draw attention to Note 12 to the financial statements 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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current year. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Carrying value of Capitalised Exploration and Evaluation Expenditure

Refer to Note 12 Exploration and Evaluation Expenditure

The Group capitalises all exploration and evaluation expenditure and subsequently applies the cost model after acquisition, in accordance with AASB 6 *Exploration for and Evaluation of Mineral Resources*.

Our audit focused on the Company's assessment of the carrying value of the capitalised exploration and evaluation expenditure, as this is one of the most significant assets of the Company. The evaluation of the recoverable amount of these assets requires significant judgment.

We planned our work to address the audit risk that the capitalised expenditure might no longer meet the recognition criteria of the Standard. In addition, we assessed whether facts and circumstances existed to suggest that the carrying value of particular exploration and evaluation assets may exceed their recoverable amounts.

Our procedures included, amongst others:

- We considered the Directors' assessment of potential indicators of impairment;
- We obtained evidence that the Group has current rights of tenure to its areas of interest and, in relation to areas currently expired or under review, we obtained an understanding of the likelihood of renewal;
- We discussed with management the nature and extent of planned ongoing exploration and evaluation activities;
- We enquired with management, reviewed ASX announcements and minutes of directors' meetings to ensure that the Group had not decided to discontinue exploration and evaluation of any of its areas of interest;
- Reviewing recent valuations of areas of interest, where available;
- Review of Farm-in agreements in respect of any areas of interest;
- We examined and assessed the relevant disclosures included in the financial report in relation to the material uncertainties regarding recoverability

Independent Auditor's Report

MOORE STEPHENS

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

Group's ability to continue as a Going Concern

Refer to Note 1

The financial statements are prepared on a going concern basis in accordance with AASB 101 Presentation of Financial Statements. The Group continues to incur significant operating losses in its ongoing efforts to advance the commercialisation of its exploration and evaluation assets. As the directors' assessment of the Group's ability to continue as a going concern is subject to significant judgement, we identified going concern as a significant risk requiring special audit consideration.

Our audit procedures included, amongst others, the following:

- An evaluation of the directors' assessment of the Group's ability to continue as a going concern. In particular, we reviewed budgets and cashflow forecasts (including sensitivity analysis where necessary) for at least the next 12 months and reviewed and challenged the directors' assumptions;
- Reviewed plans by the directors to secure additional funding through either the issue of further shares and/or debt funding or a combination thereof;
- An evaluation of the directors plans for future operations and actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year end, through discussion with the directors;
- Review of disclosure in the financial statements to ensure appropriate.

Based on our work, we agree with the directors' assessment that the going concern basis of preparation is appropriate and our conclusion on going concern is set out below. However, we also concur that there is a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern because of the uncertainty over securing future funding. The disclosures in the financial statements appropriately identify this risk.

Carrying Value of Financial Assets and Financial Liabilities

Refer to Note 13 Financial Assets and Note 17 Financial Liabilities

Financial Assets include loans receivable of $465,127 whilst Financial Liabilities include loans payable of $813,422.

Some of the loans payable and receivable are to the same party or parties, although no legal right of set off exits. In addition, the quantum of some of the loans and the repayment terms are disputed by both the Company and the third party.

Given the significance of the loans receivable and payable and the level of judgment and estimation required in determining their carrying values (particularly as some balances are disputed), accounting for the carrying values of Financial Assets and Financial Liabilities was considered a key audit matter.

Our audit procedures included, amongst others, the following:

- Reviewing the terms and conditions of loan agreements, where they exit, and related correspondence;
- Discussing with Directors and management the nature of disputed matters and what action is in progress or planned in order to resolve any disputes;
- Obtaining legal representation letters from legal firms engaged by the Company, setting out details of legal matters in which they are acting for the Company;
- Consideration of management's assessment of the values to book in relation to each loan receivable and payable including the consideration of any impairment provisions that may be required;
- Review of disclosure in the financial statements to ensure appropriate.

MOORE STEPHENS

Other Information

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2018 but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, international omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent Auditor's Report

MOORE STEPHENS

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

Auditor's Responsibilities for the Audit of the Financial Report (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial report of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

MOORE STEPHENS

REPORT ON THE REMUNERATION REPORT

Opinion on the Remuneration Report

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2018.

In our opinion, the Remuneration Report of MEC Resources Limited, for the year ended 30 June 2018 complies with section 300A of the *Corporations Act 2001*.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Neil Pace

NEIL PACE
PARTNER

Moore Stephens

MOORE STEPHENS
CHARTERED ACCOUNTANTS

Signed at Perth on the 31st day of August 2018

Additional Securities Exchange Information

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this report as follows. The information is made up to 28 August 2018

1. Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	460	184,572	0.054
1,001 – 5,000	406	1,187,305	0.347
5,001 – 10,000	413	3,630,243	1.062
10,001 – 100,000	1064	40,177,813	11.752
100,001 and over	412	296,688,113	86.784
	2,755	341,868,046	100.00

2. (a) Distribution of Unlisted Optionholders

Range of Holding	Optionholders	Number of Options	%
MEC Resources			
1 to 10,000	93	433,724	0.600
10,001 to 100,000	156	5,857,512	8.099
100,001 and over	108	66,031,079	91.301
	357	72,322,315	100.00

3. Voting Rights - Shares

All ordinary shares issued by MEC Resources Ltd carry one vote per share without restriction.

4. Voting Rights - Options

The holders of employee options do not have the right to vote.

5. Restricted Securities

Shares - Number of Shares free of escrow

Total Shares	341,868,046

Options

Number of Employee options not subject to Escrow (Not Listed)	2,400,000
Total Options	2,400,000

6. Tenements and Interests Held

Permit Details	Interest Held	Entity
Petroleum Exploration Permit 386	100%	Advent Energy
Petroleum Exploration Permit 11	85%	Advent Energy
Retention Licence 1	100%	Advent Energy

7. Twenty Largest Shareholders (as at 28 August 2018)

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

Name	Number of ordinary fully paid shares	% held of issued ordinary capital
HSBC Custody Nom (Aust) Ltd	16,606,820	4.858
Citicorp Nominees	12,977,012	3.796
Healy Robert Anthony	11,868,108	3.472
Grandbridge Ltd	11,409,543	3.337
Breeze David Leslie	10,083,121	2.949
Trandcorp Pty Ltd <Trandcorp Super Fund Ac>	9,340,857	2.732
Protax Nominees <Richards Super Fund Ac>	8,339,880	2.440
Bujo Pty Ltd	6,000,000	1.755
Barter Ross Coventry	4,676,664	1.368
Anstey Superannuation Fund Pty Ltd <Anstey Family Super Fund Ac>	4,500,000	1.316
Eastwood Financial and Investment Services Pty Ltd <G&E Super Fund Ac>	4,400,742	1.287
Trandcorp Pty Ltd	3,973,003	1.162
Foster Tobias	3,626,778	1.061
Pereira Badura	3,564,513	1.043
Davenport Roger Julian and Davenport Frances	3,265,285	0.955
Birch Lawrence Milton and Birch Jean Frances	3,177,794	0.930
Gunthorpe Andrew John	2,903,424	0.849
Semerdziev Ianaki	2,879,831	0.842
Ross Coventry Pty Ltd	2,830,016	0.828
Hera Investments Pty Ltd	2,709,048	0.792
	129,132,439	37.773

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