

## Appendix 4D -Half year report

### Results for announcement to the market

Name of Entity	MEC Resources Limited
ABN	44 113 900 020
Half Year Ended	31 December 2019
Previous Corresponding Reporting Period	31 December 2018

\$A'000

Revenues from ordinary activities	Down	98%	to	2
(Loss) from ordinary activities after tax attributable to members	Down	261%	to	(2,429)
Net (loss) for the period attributable to members	Up	261%	to	(2,429)
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>		
Final dividend	Nil	Nil		
Interim dividend				
Previous corresponding period	N/A	N/A		

Please refer to attached accounts for commentary on the results

### Other notes to the condensed financial statements

<b>Ratios</b>	<b>Current period</b>	<b>Previous corresponding Period</b>
<b>Loss before tax / revenue</b>		
Consolidated (loss) from ordinary activities before tax as a percentage of revenue	(130,048)%	(1,350)%
<b>Loss after tax / equity interests</b>		
Consolidated net (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(28.39)%	(2.34)%

<b>NTA Backing</b>	<b>Current period</b>	<b>Previous corresponding Period</b>
Net tangible asset backing per ordinary security	(1.25) cps	(2.97) cps

Please refer to page 21 of the below half year financial report for the auditor's review report.

The operating loss for the entity after tax for the half- year ended 31 December 2019 was \$2,429,300 (2018: \$719,058).

Developments during the year included:

**MEC Resources Ltd**

- On 6 August 2019, MEC Resources announced that it had placed an additional 43,660,640 shortfall shares for a combination of cash (23,300,000 Shares raising \$116,500 before costs) and in lieu of payment to creditors (20,360,640 shares for a total of \$101,803).
- On 12 August 2019 MEC Resources announced that it had reached a settlement of the various legal disputes between MEC Resources and BPH Energy Limited, Grandbridge Limited, Trandcorp Pty Ltd and David Breeze. The terms of settlement are outlined in a deed of settlement, to which MEC's 49.3%-owned subsidiary Advent Energy Pty Ltd is also a party. MEC Resources agreed to the settlement in the interests of settling continual disputes which have impeded the progress of both MEC Resources and Advent Energy since November 2016. As a result of the settlement, MEC will be in a position to pursue the investigation of investment opportunities activities to generate value for shareholders.
- On 14 August 2019, the Company announced that the shortfall balance of the non-renounceable entitlements issue shares closed on 10 August 2019 and the Company received additional applications for a total of 21,019,960 shares raising \$105,100 before costs.
- On 1 November MEC Resources acquired 3.19% of the shares in Intelligent IP Hosting Pty Ltd trading as Claratti Workspace (Claratti), a managed services provided of cloud based IT infrastructure, Service and software, for consideration of \$100,000 (initial investment). No announcement was made in respect to the initial investment as the Company has considered the initial investment to be immaterial.
- On 28 November 2019, following shareholder approval on 26 November 2019, the Company issued 8,800,000 shares each to Mr Bald, Mr Sandy and Mr Battrick in lieu of outstanding directors fees. In addition 3,000,000 shares were also issued to previous managing director Ms Ambrosini.

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MEC Resources Ltd and its controlled entities

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## Company Information

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### Directors

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

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

Douglas Verley – Non-Executive Director  
(appointed 11 February 2020)

Matthew Battrick – Non-Executive Director  
(Resigned 11 February 2020)

### Company Secretary

Robert Marusco

### Registered Office

Level 12  
225 George Street  
SYDNEY NSW

### Principal Business Address

Level 2  
225 George Street  
SYDNEY NSW 2000  
Website: [www.mecresources.com.au](http://www.mecresources.com.au)  
E-mail: [info@mecresources.com.au](mailto:info@mecresources.com.au)

### Auditor

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

### Share Registry

Boardroom Pty Ltd  
Level 12  
225 George St  
SYDNEY NSW 2000

### Australian Securities Exchange Listing

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

### Australian Business Number

44 113 900 020

# Directors' Report

MEC Resources Ltd and its controlled entities

The directors of MEC Resources Ltd ("**MEC Resources**") submit herewith the financial report for the half year ended 31 December 2019. In order to comply with the provisions of the *Corporations Act 2001*, the directors report as follows:

## Directors

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

M Sandy (appointed 24 July 2018)

A Bald (appointed 24 July 2018)

D Verley (appointed 11 February 2020)

M Battrock (resigned 11 February 2020)

## 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 in the energy and mineral resources sector.

MEC's strategy is to provide carefully selected Australian companies with funding, and focus on opportunities with a number of specific characteristics including: strong growth and near term cash flow potential ; a stage of development that permits a strategic investor or IPO within several years; strong and experienced management team and a definitive competitive advantage.

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

To make proper use of the tax advantages of its status as a PDF, MEC needs to be invested in a range of companies, rather than just one main investment. The MEC board has undertaken a number of initiatives including the expansion of the investment mandate as approved by the Innovation Investment Committee of Innovation and Science Australia pursuant to the Pooled Development Fund Act of 1992 as announced to market 18 March 2019 such that the Company can, in addition to investments in resource exploration will be able to make investments into existing and start-up enterprises that have demonstrated technology and /or services that may have an application not limited to the resources sector. This may include information technology, financial, power and energy sectors. The Company raised additional funds (as outlined below) in a from a rights issue and shortfall placement which will enable the Company to review and position itself in a range of new companies into the future.

## Advent Energy Ltd - Oil and Gas

MEC has an equity interest in the unlisted energy explorer Advent Energy Ltd ("Advent") of 49.3%.

Advent holds 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.

# Directors' Report

MEC Resources Ltd and its controlled entities

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## Review of Operations

Operating loss for the entity after tax for the half-year ended 31 December 2019 was \$2,429,300 (2018: \$719,058).

### MEC Resources Ltd

- On 6 August 2019, MEC Resources announced that it had placed an additional 43,660,640 shortfall shares for a combination of cash (23,300,000 Shares raising \$116,500 before costs) and in lieu of payment to creditors (20,360,640 shares for a total of \$101,803).
- On 12 August 2019 MEC Resources announced that it had reached a settlement of the various legal disputes between MEC Resources and BPH Energy Limited ("BPH"), Grandbridge Limited, Trandcorp Pty Ltd and David Breeze. The terms of settlement are outlined in a deed of settlement, to which MEC's 49.3%-owned subsidiary Advent Energy Pty Ltd ("Advent") is also a party. MEC Resources agreed to the settlement in the interests of settling continual disputes which have impeded the progress of both MEC Resources and Advent Energy since November 2016. As a result of the settlement, MEC will be in a position to pursue the investigation of investment opportunities activities to generate value for shareholders.
- On 14 August 2019, the Company announced that the shortfall balance of the non-renounceable entitlements issue shares closed on 10 August 2019 and the Company received additional applications for a total of 21,019,960 shares raising \$105,100 before costs.
- On 1 November MEC Resources acquired 3.19% of the shares in Intelligent IP Hosting Pty Ltd trading as Claratti Workspace (Claratti), a managed services provided of cloud based IT infrastructure, Service and software, for consideration of \$100,000 (initial investment). No announcement was made in respect to the initial investment as the Company has considered the initial investment to be immaterial.
- On 28 November 2019, following shareholder approval on 26 November 2019, the Company issued 8,800,000 shares each to Mr Bald, Mr Sandy and Mr Battrock in lieu of outstanding directors fees. In addition, 3,00,000 shares were also issued to previous managing director Ms Ambrosini.

### Advent Energy Limited

- On 17 September 2019 BPH announced to market that investee Advent terminated by mutual consent the RL Energy Joint Venture Agreement for the PEP11 permit. Advent, through wholly owned subsidiary Asset Energy Pty Ltd, holds 85% interest and is the operator of the permit. Bounty Oil & Gas NL (ASX:BUY) holds the remaining 15%.
- On 19 September 2019 BPH announced that investee Advent had been granted a renewal of Retention Licence 1 (RL1) in the Northern Territory by the NT Department of Primary Industry and Resources for a five-year term concluding July 2023. Advent, through wholly owned subsidiary Onshore Energy Pty Ltd, holds 100% interest in RL1 and is the operator of the permit.
- On 29 November 2019, Advent shareholders approved to convert a receivable of \$162,566 into 3,251,320 shares in BPH at a conversion price of \$0.05 per share. The effect on the capital restructure of investment in BPH will increase the number of shares on issue from 177,595,234 to 190,953,234 shares upon the completion of the conversion representing a 7.52% dilution effect to existing in shareholding in BPH.

# Directors' Report

MEC Resources Ltd and its controlled entities

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## Subsequent Events

- On 11 February 2020 MEC Resources announced the appointment of Mr Douglas Verley as a non-executive director and replacing Mr Matthew Battrock who had resigned.

## Dividends

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

## Auditor's Independence

The directors received a declaration of independence from the auditor. This is included in the financial report on page 4.

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

On behalf of the Directors



Andrew Bald  
Director  
SYDNEY,  
28 February 2020

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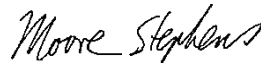
**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION  
307c OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS  
OF MEC RESOURCES LIMITED**

As lead auditor for the review of MEC Resources Limited for the half-year ended 31 December 2019, I declare that, to the best of my knowledge and belief, there have been:

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



NEIL PACE  
PARTNER



MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth this 28<sup>th</sup> day of February 2020

# Directors' Declaration

MEC Resources Ltd and its controlled entities

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The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the *Corporations Act 2001*, including compliance with accounting standards and giving a true and fair view of the financial position and performance of the consolidated entity.

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

On behalf of the Directors

*Andrew Bald*

Andrew Bald  
Director  
SYDNEY, 28 February 2020



# Consolidated Statement of Financial Position as at 31 December 2019

MEC Resources Ltd and its controlled entities

Consolidated Group			
	Note	31 December 2019 \$	31 December 2018 <sup>1</sup> \$
<b>Revenue</b>			
Revenue from ordinary activities	3	1,868	49,844
Other losses	3	(346,514)	-
Other income	3	-	284,915
Administration expenses		(44,714)	(70,174)
Consulting and legal expenses	3	(344,921)	(207,799)
Employee Benefits expense		(98,857)	(198,270)
Interest expense		(603)	(875)
Insurance expenditure		(3,636)	(14,575)
Exploration expenditure write off		(62,365)	(399,278)
Other expenses		(62,687)	(64,601)
Traveling expense		(10,388)	(11,450)
Loss before income tax		(972,817)	(632,263)
Income tax expense		-	-
Loss from continuing operations		(972,817)	(632,263)
Profit and loss from Discontinued Operations	12(i)	(1,456,513)	(86,795)
Profit for the period		(2,429,300)	(719,058)
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		-	-
Loss attributable to non-controlling interest		-	(46,001)
Loss attributable to members of the parent entity		<b>(2,429,300)</b>	<b>(673,057)</b>
Total Comprehensive Loss attributable to non-controlling interest		-	(46,001)
Total Comprehensive Loss attributable to parent		<b>(2,429,300)</b>	<b>(673,057)</b>
Earnings Per Share -			
Basic and Diluted (cents per share)		(0.40)	(0.20)

The accompanying notes form part of these financial statements.

<sup>1</sup> The comparative statement of Profit or Loss and Other Comprehensive Income for the Half Year Ended 31 December 2019 has been restated to conform with AASB 5: Non-current Assets Held for Sale and Discontinued Operations.

# Consolidated Statement of Financial Position as at 31 December 2019

MEC Resources Ltd and its controlled entities

	Note	Consolidated	
		31 December	30 June
		2019	2019
		\$	\$
<b>Current Assets</b>			
Cash and cash equivalents	4	686,633	350,634
Trade receivables		44,072	63,968
Financial assets	9	-	563,147
Other current assets		42,164	18,615
<b>Total Current Assets</b>		<b>772,869</b>	<b>996,364</b>
<b>Non-Current Assets</b>			
Intangible assets		-	22,674
Evaluation and exploration costs	10	-	10,562,578
Financial Assets	9	8,756,964	84,275
Property, plant & equipment		3,435	4,154
<b>Total Non-Current Assets</b>		<b>8,760,399</b>	<b>10,673,681</b>
<b>Total Assets</b>		<b>9,533,268</b>	<b>11,670,045</b>
<b>Current Liabilities</b>			
Trade and other payables		382,685	1,077,758
Financial Liabilities	11	593,796	791,978
Short-term provisions		-	122,436
<b>Total Current Liabilities</b>		<b>976,481</b>	<b>1,992,172</b>
<b>Total Liabilities</b>		<b>976,481</b>	<b>1,992,172</b>
<b>Net Assets</b>		<b>8,556,787</b>	<b>9,677,873</b>
<b>Equity</b>			
Issued capital	5	30,644,378	29,336,134
Option Reserve		442,273	16,268,145
Accumulated losses		(22,529,864)	(37,941,446)
<b>Total Equity Attributable to Owners</b>		<b>8,556,787</b>	<b>7,662,833</b>
Non-controlling Interest		-	2,015,040
<b>Total Equity</b>		<b>8,556,787</b>	<b>9,677,873</b>

The accompanying notes form part of these financial statements.

# Consolidated Statement of Changes in Equity as at 31 December 2019

MEC Resources Ltd and its controlled entities

	Issued Capital \$	Accumulated losses \$	Option Reserve \$	Contribution Reserve \$	Total attributable to owners \$	Non- Controlling Interest \$	Total Equity \$
<b>Balance at 1 July 2018</b>	28,784,989	(36,601,776)	531,466	15,736,679	8,451,358	2,103,441	10,554,799
Loss attributable to members of the consolidated entity	-	(673,057)	-	-	(673,057)	(46,001)	(719,058)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	(673,057)	-	-	(673,057)	(46,001)	(719,058)
Shares issued during the period	189,437	-	-	-	189,437	-	189,437
Share based payments	(1,820)	-	-	-	(1,820)	-	(1,820)
<b>Balance at the half year ended 31 December 2018</b>	28,972,606	(37,274,833)	531,466	15,736,679	7,965,918	2,057,440	10,023,358
<b>Balance at 1 July 2019</b>	29,336,134	(37,941,446)	531,466	15,736,679	7,662,833	2,015,040	9,677,873
Loss attributable to continuing operations	-	(972,817)	-	-	(972,817)	-	(972,817)
Other comprehensive income	-	-	-	-	-	-	-
Total comprehensive income	-	(972,817)	-	-	(972,817)	-	(972,817)
Shares issued during the period	1,375,644	-	-	-	1,375,644	-	1,375,644
Capital raising costs	(67,400)	-	-	-	(67,400)	-	(67,400)
Net movements on deconsolidation (i)	-	16,384,399	(89,193)	(15,736,679)	558,527	(2,015,040)	(1,456,513)
<b>Balance at the half year ended 31 December 2019</b>	30,644,378	(22,529,864)	442,273	-	8,556,787	-	8,556,787

The accompanying notes form part of these financial statements.

(i) The net loss to the consolidated group on deconsolidating Advent Energy Ltd and its controlled entities was \$1,456,513.

# Consolidated Statement of Cash Flows for the half year ended 31 December 2019

MEC Resources Ltd and its controlled entities

		Consolidated	
	Note	31 December 2019 \$	31 December 2018 \$
<b>Cash Flows From Operating Activities</b>			
Payments to suppliers and employees		(439,552)	(953,569)
Research and Development incentives		-	384,914
Interest received		1,264	6,568
<b>Net cash used in operating activities</b>		<b>(438,288)</b>	<b>(562,087)</b>
<b>Cash Flows From Investing Activities</b>			
Payment for PPE		-	(3,647)
Repayment of loans to other entities		(35,422)	-
Loans to other entities		100,000	-
Deferred exploration costs		-	(28,575)
<b>Net cash used in investing activities</b>		<b>(64,578)</b>	<b>(32,222)</b>
<b>Cash Flows From Financing Activities</b>			
Proceeds from share issues		929,090	82,335
<b>Net cash used in financing activities</b>		<b>929,090</b>	<b>82,335</b>
<i>Net increase/(decrease) in Cash Held</i>		426,224	(511,974)
<i>Cash at the Beginning Of The Period</i>		260,409	978,467
<b>Cash at The End Of The Period</b>	4	<b>686,633</b>	<b>466,523</b>

The accompanying notes form part of these financial statements

## **1. CORPORATE INFORMATION**

The financial report of MEC Resources Ltd (the company) and its controlled entities for the half-year ended 31 December 2019 was authorised for issue in accordance with a resolution of the directors on 28 February 2019.

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

## **2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

### **(a) Basis of preparation**

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

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

The half-year financial report should be read in conjunction with the Annual Financial Report of MEC Resources Ltd as at 30 June 2019. For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

It is also recommended that the half-year financial report be considered together with any public announcements made by MEC Resources Ltd and its controlled entities during the half-year ended 31 December 2019 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX Listing Rules.

### **(b) Significant Accounting Policies**

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

### **(c) Financial Position/Going Concern**

The company has incurred losses for the half year ended 31 December 2019 of \$972,817 and has cash assets of \$686,633 as at 31 December 2019. The company also has a working capital deficiency as at 31 December 2019. Notwithstanding this, the directors are satisfied that the going concern basis of accounting is appropriate and that the company will be able to continue normal business activities and release its assets and settle its liabilities in the ordinary course of business. This assessment is based on their judgement that the company should be able to manage its' obligations either from existing cash reserves or by raising additional equity funds should the need arise.

Despite the above assessment there remains significant doubt as to whether the company will be able to continue as a going concern for at least the next 12 months from the date of this half year report. Should the company not be able to continue as a going concern then it may not be able to realise its assets and discharge its liabilities at the amounts stated in the half year financial report.

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

***Standards and Interpretations applicable to the 31 December 2019 Interim Period***

In the half year ended 31 December 2019, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for the half year reporting periods beginning on or after 1 July 2019.

New standards which have become effective for the financial period beginning 1 July 2019 are as follows;

- AASB 16 Leases

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

***Standards and Interpretations issued but not yet adopted by the Group***

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

None of the above standards are expected to have a significant impact on the Group.

### 3. REVENUE, INCOME AND EXPENSES

	Consolidated	
	31 December 2019 \$	31 December 2018 \$
<b>Revenue</b>		
Interest revenue: other entities	1,868	49,845
	1,868	49,845
<b>Other gains and losses</b>		
Loss on Legal Settlement	(346,514)	-
	(346,514)	-

	Consolidated	
	31 December 2019 \$	31 December 2018 \$
<b>Other income</b>		
R&D claim	-	284,915
Project costs recovered	-	-
	-	284,915

<b>Expenses</b>		
Consulting and legal expenses		
Consulting	163,581	152,571
Legal	181,340	55,228
	344,921	207,799

### 4. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2019 \$	30 June 2019 \$
For the purpose of the half-year condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	686,633	350,634
	686,633	350,634

## 5. CONTRIBUTED EQUITY

	<b>Consolidated</b>	
	<b>31 December 2019 \$</b>	<b>30 June 2019 \$</b>
Ordinary shares (i)	31,753,919	30,378,303
Less: Capital Raising Costs	(1,109,540)	(1,040,219)
	<u>30,644,378</u>	<u>29,336,134</u>

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

	<b>Number</b>	<b>\$</b>
Movement in ordinary shares on issue		
As at 1 July 2019	414,578,376	29,336,134
Shortfall shares issued under non-renounceable entitlements issue – shortfall shares	224,680,600	1,082,283
Shares issued as payment of consulting fees	15,792,200	78,961
Shares issued as settlement of employment liabilities	<u>29,400,000</u>	<u>147,000</u>
Balance as at 31 December 2019	<u>684,451,176</u>	<u>30,644,378</u>

## 6. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or liabilities at balance date.

## 7. COMMITMENTS

There were no capital commitments at balance date.

## 8. EVENTS AFTER THE BALANCE DATE

### ***Update to Expanded Investment Mandate***

The Company announced to market on 16 January 2020 an update in relation to its expanded investment mandate featuring the following;

1. the Company previously announced that the Innovation Investment Committee of Innovation and Science Australia has approved MEC's application to vary its approved investment plan to include investments into existing and start-up enterprises that have demonstrated technology and/or services that may have application not limited to the resources sector (refer to the ASX announcement dated 13 March 2019 for further details);
2. On 21 November 2019, MEC acquired 3.19% of the shares in Intelligent IP Hosting Pty Ltd trading as Claratti Workspace (Claratti), a managed services provider of cloud-based IT infrastructure, service and software, for consideration of A\$100,000 (Initial Investment). No



announcement was made in respect to the Initial Investment as the Company had considered the Initial Investment to be immaterial;

3. ASX has advised that the expansion of the Company's mandate constitutes a change in the nature of the Company's activities and requires the Company to seek shareholder approval pursuant to Listing Rule 11.1.2 and re-comply with Chapters 1 and 2 of the ASX Listing Rules pursuant to Listing Rule 11.1.3. The Company is awaiting a determination from the ASX as to its obligation under the ASX Listing Rules;
4. having regard to the above, the Company has agreed to divest its existing minority investment of 3.19% in Claratti and, as at the date of this announcement, does not hold any shares in Claratti;
5. the Company intends to convene a meeting of shareholders to consider (amongst other matters) the necessary resolutions to proceed with an investment in Claratti and any other potential investments under its expanded mandate.

Subject to (amongst other matters) the Company obtaining the requisite shareholder approval and re-complying with Chapters 1 and 2 of the Listing Rules, the Company intends to review its intentions to invest in Claratti's business and, should it elect to progress with the investment, will acquire at least 10% of the issued capital of Claratti. The Company will not undertake an investment in Claratti if the requisite shareholder approval is not obtained and/or it is unable to satisfy the requirements under Chapters 1 and 2 of the Listing Rules. The Company will provide shareholders with an update in respect to status and progress by way of further ASX announcements.

### ***Voluntary Suspension***

On 17 January 2020 the Company requested a voluntary suspension pending the release of an announcement in respect to potential investments under its expanded mandate. As at the date of this report the Company remains suspended pending feedback from the ASX.

### ***Advent Energy Ltd***

On 29 January 2020 BPH who is the second largest shareholder in Advent at 22% (and exercises management control of Advent via common directors Mr David Breeze and Mr Tony Huston ) informed the market that Advent has submitted to the National Offshore Petroleum Titles Administrator an application to enable the drilling of the Baleen drill target in the PEP11 permit offshore NSW.

On 13 February 2020 the Company released a clarifying statement in relation to an ASX announcement made by BPH on 7 February 2020 entitled "Resolution of final legal matters with Advent Energy Ltd – BPH to increase shareholding in Advent Energy Ltd".

MEC advised that it was not provided with the opportunity to review the BPH Announcement prior to its release and that the cross-announcement was not authorized by the MEC board of directors.

### ***Advent Shareholder Meeting***

The BPH Announcement referred to a notice of general meeting and certain shareholder approvals purportedly obtained by Advent. MEC was not provided with any notice of meeting. As a 53% shareholder in Advent, MEC is seeking clarification from Advent as to the failure to provide MEC with the notice of meeting and in respect to the matters considered at the general meeting, following which, MEC intends to obtain legal advice in respect to the validity of any purported approvals.

*In-Specie Distribution*

MEC also confirmed that, in accordance with the settlement deed between, among others, MEC and BPH dated 6 August 2019 (refer to MEC's announcement of 12 August 2019) (Settlement Deed), it received a notice from BPH on 6 August 2019 requesting MEC conduct an in-specie distribution of the shares it holds in Advent (Advent Shares).

MEC is required to obtain shareholder approval pursuant to sections 256B and 256C(1) of the Corporations Act 2001 (Cth) (Corporations Act) to effect the in-specie distribution of the Advent Shares (In-Specie Distribution).

The invitation to shareholders to vote on the transfer of the Advent Shares will constitute an 'offer' of securities for the purposes of Chapter 6D of the Corporations Act. Accordingly, MEC is also required to provide shareholders with prospectus level disclosure in respect to Advent and its business, including but not limited to the following information:

- a) audited financial statements for Advent for the past 3 years, including information on whether the auditor qualified the accounts or raised any emphasis of matters;
- b) a report complying with paragraph 7.2 of the Valmin Code 2014, opining on the tenure status of Advent's licenses;
- c) details of information on material contracts (if any) for Advent including contracts with entities related to the directors of Advent or MEC;
- d) details of the capital structure of Advent including major shareholders (apart from MEC); and
- e) information on Advent director remuneration, including directors' current shareholdings, options, rights and related party contracts.

MEC advised that it has, on a number of occasions, requested (including, but not limited to, formal written requests to Advent dated 13 December 2019 and 6 February 2020) that Advent provide the requisite information detailed above to enable the Company to prepare the prospectus level disclosure in accordance with the requirements under the Corporations Act and ASIC Regulatory Guide 228 (Effective Disclosure for Retail Investors). At the date of this announcement, MEC has yet to receive a response from Advent or any of the requested information required to prepare the documents to effect the In-Specie Distribution.

## 9. FINANCIAL ASSETS

	Consolidated	
	31 December 2019 \$	30 June 2019 \$
<b>Current</b>		
Loan receivable – BPH Energy Ltd	-	518,280
Loan receivable – Grandbridge Ltd	-	44,867
	-	563,147
<b>Non-Current</b>		
Fair Value through Profit and Loss financial assets (a)	-	-
Investment in Claratti Workspace	126,730	
Loan receivable – Advent Energy Ltd (b)	3,924,317	-
Investment in Advent Energy Ltd (c)	4,705,917	-
Investment in BPH Energy Ltd	-	14,364
Investment in Molecular Discovery Systems Ltd	-	69,911
	8,756,964	84,275

### Fair Value of Financial Assets

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

The levels of the hierarchy are as follows:

**Level 1:** quoted prices (unadjusted) in active markets for identical assets or liabilities

**Level 2:** inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

**Level 3:** inputs for the asset or liability that are not based on observable market data (unobservable inputs).

- (a) For financial instruments that are measured at fair value on a recurring basis, Level 1 and Level 3 applies to the company's non-current Fair Value through Profit and Loss financial assets.
- (b) This loan is recoverable only by conversion to shares of Advent Energy one month prior to the scheduled commencement date for the drilling of a well within the PEP-11 permit area. The shares are calculated at 80% of 5-day VWAP of Advent Energy Ltd immediately prior to that date or if as at that date Advent Energy Ltd shares are not listed on any securities exchange, the price at which ordinary shares in Advent Energy Ltd were last issued.

## 9. FINANCIAL ASSETS (continued)

- (c) If at any time within the period of one year after 6 August 2019 the company receives a request in writing from Advent Energy Ltd to do so the Company must effect an in-specie distribution to the shareholders of the Company, subject to obtaining all regulatory and shareholder approvals. Such a request was received during the half year ended 31 December 2019 however the in-specie distribution has not been completed as at the date of this half year report.

## 10. EVALUATION AND EXPLORATION

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Exploration expenditure capitalized:		
Exploration and evaluation phases	-	10,562,578
	-	10,562,578

### Reconciliation of movements during the year:

	<b>Consolidated</b>	
	<b>31 December 2019</b>	<b>30 June 2019</b>
	<b>\$</b>	<b>\$</b>
Opening balance at 1 July	10,562,578	10,917,759
Disposal on deconsolidation	(10,562,578)	
Capitalised expenditure – PEP 11	-	40,843
Exploration expenditure written off – PEP11	-	(399,278)
Capitalised expenditure – EP 386	-	3,254
Closing balance	-	10,562,578

## 11. FINANCIAL LIABILITIES

	Consolidated	
	31 December 2019 \$	30 June 2019 \$
Loans payable		
Loan from Asset Energy	593,796	-
Loan from BPH Energy Limited	-	41,935
Loan from Grandbridge Limited	-	748,684
Loans from other entities	-	1,358
	593,796	791,978

## 12. Deconsolidation of Advent Energy Ltd

On the 6<sup>th</sup> of August 2019 the board of MEC Resources announced that it had reached a settlement in relation to the various legal disputes between the company and BPH Energy Limited, Grandbridge Limited, Trandcorp Pty Ltd and David Breeze. As a part of the settlement the board of Advent Energy Ltd changed to consist of Stephen Kelemen, David Breeze, Steve James, Tony Huston and Tom Fontaine. MEC although owning 53% of the shares in Advent Energy Ltd no longer control the activities of Advent therefore control was deemed to be lost with Advent Energy Ltd deconsolidated from MEC on the date of settlement.

The results of Advent Energy Ltd to the date of deconsolidation have been recorded in these financial statements. Financial information in relation to Advent Energy Ltd is set out below.

(i) The results of Advent Energy Ltd to the date the company deconsolidated:

	<b>Consolidated Group</b>	
	<b>31.12.2019</b>	<b>31.12.2018</b>
	<b>\$</b>	<b>\$</b>
The financial performance of the discontinued operation is included in profit/(loss) from discontinued operations per the consolidated statement of profit or loss and other comprehensive income are as follows:		
Revenue	-	4,445
Expenses	-	(91,240)
Profit before income tax	-	(86,795)
Gain or loss on disposal of the business included in discontinued operations per the statement of profit or loss and other comprehensive income - Note 12(ii).	(1,456,513)	-

## 12. Deconsolidation of Advent Energy Ltd (continued)

(ii) Carrying Amount of assets and liabilities at date of deconsolidation

The carrying amount of the assets and liabilities of Advent Energy Ltd as at the 6<sup>th</sup> August 2019 were as follows:

	<b>06.08.2019</b>
	<b>\$</b>
<b>Assets</b>	
Current assets	888,766
Non-current assets	9,412,283
Total assets	<u>10,301,050</u>
<b>Liabilities</b>	
Current liabilities	<u>(5,378,787)</u>
Total liabilities	<u>(5,378,787)</u>
Net assets	<u>4,922,263</u>
 (iii) Details of the loss on deconsolidation	
Consideration received	-
Carrying amount of net assets disposed of	4,922,263
Less: Non-controlling interests recognised in equity	(2,015,040)
Less: Consolidation adjustment	(1,450,710)
Loss on disposal before income tax	<u>(1,456,513)</u>
Income tax expense	-
Loss on disposal after income tax	<u>(1,456,513)</u>

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

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the accompanying half-year financial report of MEC Resources Limited (the company) and its controlled entities (the consolidated entity), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, the consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

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

- a. giving a true and fair view of the consolidated entity's financial position as at 31 December 2019 and of its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Material Uncertainty Related to Going Concern

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

#### Material Uncertainty - Carrying Value of Loans Receivable from and Investment in Advent Energy Limited

We draw attention to Note 9 to the half-year financial report and specifically to the loans receivable from Advent Energy Limited amounting to \$3,924,317. We also draw attention to the Investment in Advent Energy Limited of \$4,705,917. The ability of the Company to recover the book values of the investment in and loans to Advent Energy Limited is largely dependent upon the ability of Advent Energy Limited to successfully commercialise and /or sell its core exploration assets, thereby realising sufficient value for the Company to realise the value of its loans and investment in Advent Energy Limited, the outcome and timing of which is uncertain. Our opinion is not modified in respect of this matter



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

### Directors' Responsibility for the Half-Year Financial Report

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

### Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standards on Review Engagements ASRE 2410: *Review of Interim and Other Financial Reports Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including:

- a. giving a true and fair view of the company's financial position as at 31 December 2019 and its performance for the half-year ended on that date; and
- b. complying with Accounting Standard AASB 134: *Interim Financial Reporting* and the *Corporations Regulations 2001*.

As the auditor of the company, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

### Independence

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



NEIL PACE  
PARTNER



MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth this 28<sup>th</sup> day of February 2020