MEC Resources

ANNUAL REPORT 2015

ENERGY
EXPLORATION

CORPORATE DIRECTORY

Directors

H Goh *Non-Executive Chairman*

D L Breeze *Executive Director*

K O Yap *Non-Executive Director*

D Ambrosini *Executive Director*

Registered Office

14 View Street
North Perth WA 6006

Principal Business Address

14 View Street
North Perth WA 6006

Telephone: (08) 9328 8477
Facsimile: (08) 9328 8733
admin@mecresources.com.au
www.mecresources.com.au

Auditor

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

Share Registry

Advanced Share Registry Ltd
110 Stirling Highway
Nedlands WA 6009

Australian Securities Exchange Listing

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

Australian Business Number

44 113 900 020

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MEC Resources

2015 ANNUAL REPORT

CHAIRMAN'S REPORT

Dear Shareholder

I am pleased to present to you MEC Resources Limited's 2015 Annual Report. The year 2015 has been challenging for MEC and its subsidiaries due to the plunge in oil prices. However, steady progress has been made in the development of the Company's assets.

While the NSW gas crisis continues to heighten, Advent Energy's PEP11 project has attracted industry interest due to the foreseen east coast gas shortage. Media has reported NSW industrial gas consumers are preparing to shut operations during peak winter gas demand next year as they cannot guarantee gas supplies. The looming NSW gas shortage is anticipated to commence through the winter of 2016.

Furthermore, east coast gas prices are on the rise as the LNG export plants of Gladstone, Queensland, continue to come into production thereby rapidly tripling natural gas demand. The PEP11 project holds unparalleled competitive advantage being superbly located in Commonwealth waters adjacent to the major population and energy centre of the Sydney-Newcastle area. Advent's planned works are intended to refine the prominent multi-Tcf targets present within PEP11 for future drilling and ultimate potential supply into this starved local gas market.

The release of the Federal Government's White Paper on Developing Northern Australia provides great confidence for an ongoing expansion of the east Kimberley region. The Commonwealth Government is providing a new $5 billion Northern Australian Infrastructure Facility to provide concessional loans for the construction of major infrastructure such as ports, roads, rail, pipelines, electricity and water supply. This will greatly assist MEC Resources' investee Advent Energy in further market development and potentially reduced costs through the government funded infrastructure developments that may improve roads and ports in the vicinity of Advent's EP386 and RL1 resources.

New market studies have identified a current market demand of up to 30.8 TJ per day of power generation capacity across the Kimberley region that could potentially be supplied by Advent Energy's conventional gas projects in EP386 and RL1. In addition, the Federal Government's White Paper on Developing Northern Australia described an estimated increase in electricity consumption of 52 per cent by 2018 for northern Western Australia.

The Seafarms Group is progressing the potential development of Project Sea Dragon, a proposed world scale aquaculture operation adjacent to MEC Resources' investee Advent Energy's EP386 and RL1 gas resources spanning the border of northern Western Australia and Northern Territory. Land access rights for Legune Station have been acquired by the Seafarms Group which will allow progression to application for regulatory approvals and commencement of a bankable feasibility study. 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.

I would like to thank you once again for your continued support in a challenging environment. Over the next 12 months we will continue to work hard to strengthen the assets of the company.

Yours faithfully

Mr Hock Goh
Chairman

MEC Resources

COMPANY FOCUS AND DEVELOPMENTS

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.

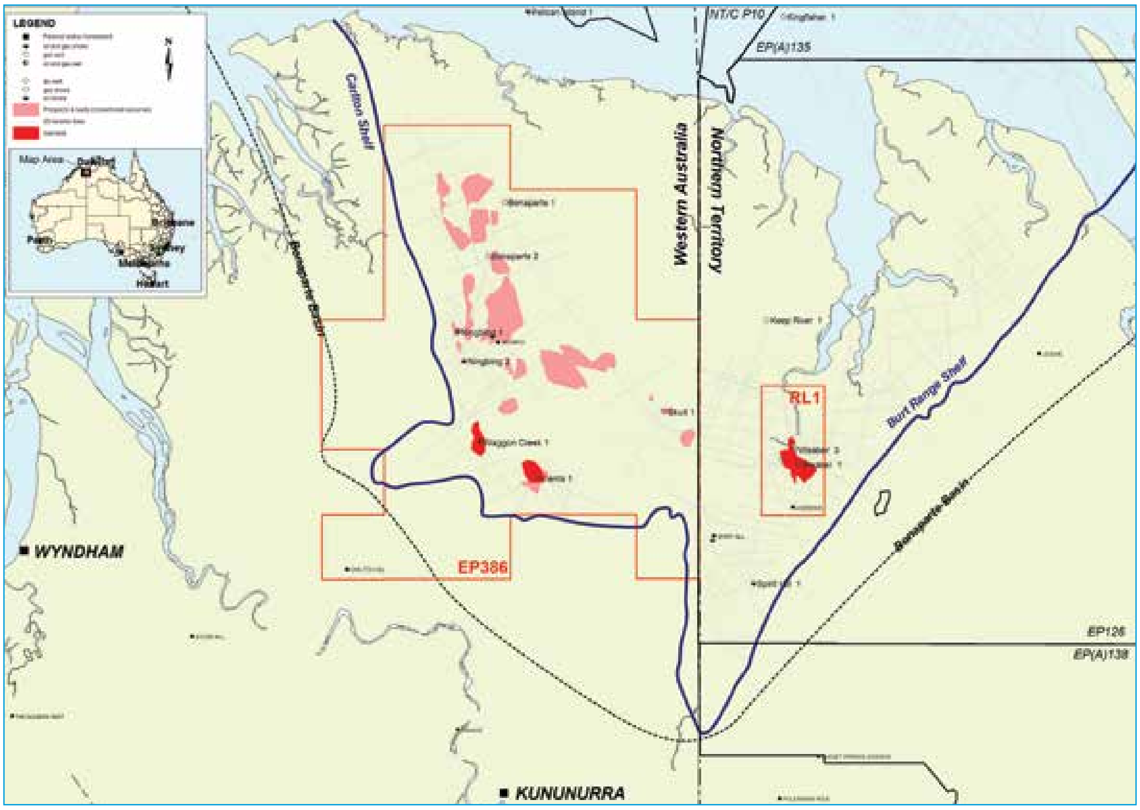
MEC's current major investment lies in Advent Energy Ltd, an unlisted oil and gas exploration and development company with onshore and offshore exploration and near term development assets around Australia.

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 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) with 4.2 MMbbl (0.7Gl) of oil and 153.1Bcf (4.3 Bcm) of gas produced in 2010.



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. There have been 21 wells drilled in onshore basin. i.e. 9 in existing EP386, 5 in existing RL1. Plus Pelican Island-1, Spirit Hill-1, Pincombe-1, Keep River-1, Cullen-1, Kullshill-1 and 2.

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 production at Waggon Creek was from zones less than 1000 meter below surface.

Within EP386, 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.

Following application by Advent Energy the WA Department of Mines & Petroleum granted a suspension of the condition requiring the completion of the Year 2 work by 31 March 2016.

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 by RISC.

COMPANY FOCUS AND DEVELOPMENTS

MEC's investment focus (continued):

Advent Energy (continued)

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

The results are summarised below:

Weaber Field	1C	2C	3C
Gas Initially In Place (Bcf)	0.33	13.9	54.1
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.

The current rapid development of the Kununurra region in northern Western Australia, including the Ord River Irrigation Area phase 2, the township of Kununurra, and numerous regional resource projects provides an exceptional opportunity for Advent to potentially develop its nearby gas resources.

- New market studies have identified a current market demand of up to 30.8 TJ per day of power generation capacity across the Kimberley region that could potentially be supplied by Advent Energy's conventional gas projects in EP386 and RL1. In addition, the Federal Government's White Paper on Developing Northern Australia described an estimated increase in electricity consumption of 52 per cent by 2018 for northern Western Australia.
- The release of the Federal Government's White Paper on Developing Northern Australia provides great confidence for an ongoing expansion of the east Kimberley region. The Commonwealth Government is providing a new $5 billion Northern Australian Infrastructure Facility to provide concessional loans for the construction of major infrastructure such as ports, roads, rail, pipelines, electricity and water supply. This will greatly assist Advent in further market development and potential reduced costs through the government funded infrastructure developments that may improve roads and ports in the vicinity of Advent's EP386 and RL1 resources.

The Seafarms Group is progressing 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. Land access rights for Legune Station have been acquired by the Seafarms Group which will allow progression to application for regulatory approvals and commencement of a bankable feasibility study. A Letter Of Intent was signed by Advent with the proponents of Project Sea Dragon in 2013 for the potential supply of energy to the aquaculture operation.

Advent is in an exceptional 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.

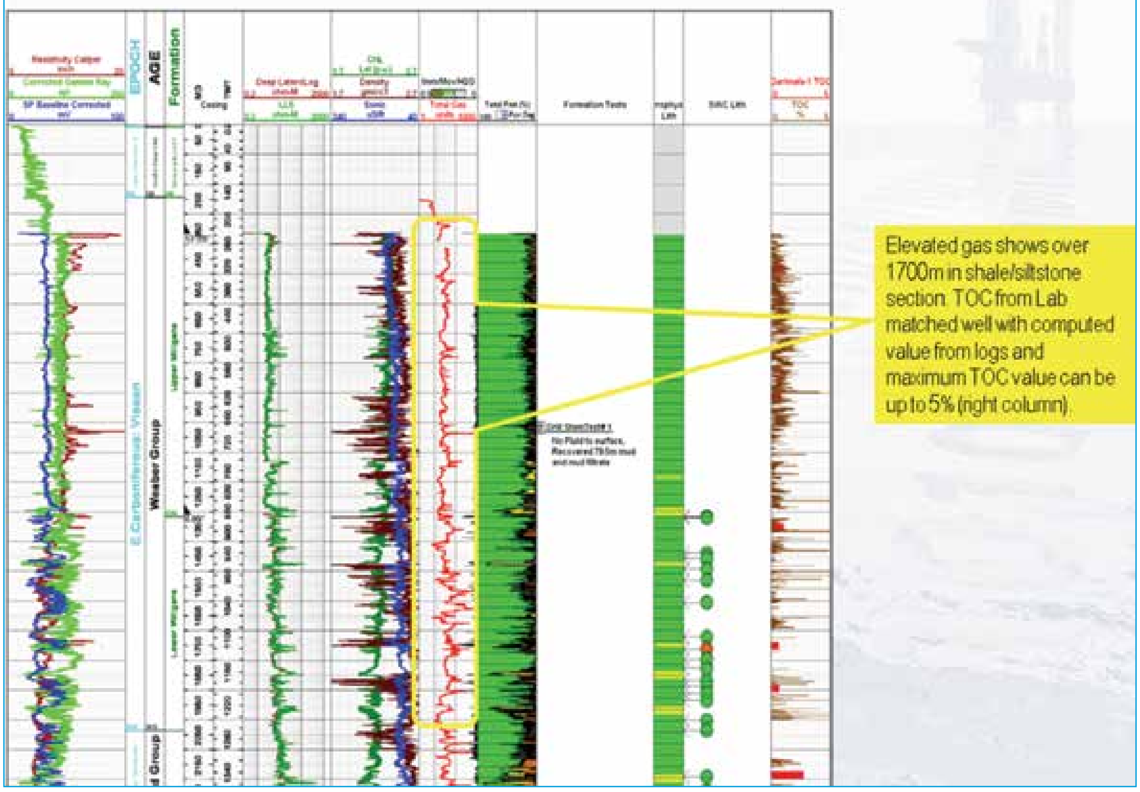
Unconventional Resources Within EP386 and RL1

The prospectivity of the Bonaparte Basin is evident from the known oil and gas fields in both the offshore and onshore portions of the basin. Advent's onshore EP386 and RL1 contain many large structures with conventional reservoir gas discoveries.

Advent has identified significant shale areas in EP386 and RL1 and is continuing to assess these resources. The following data illustrates detail from that study showing results from the re-analysis of the well logs from prior drilling in Advent's areas using enhanced computer processes.

- Advent has indicated significant potential upside in prospective shale gas resources with estimated unrisked original gas in place (OGIP) in the range from 19 TCF to 141 TCF for the 100% Advent owned EP386 and RL1;
- The thickness of the prospective shale gas play varies from 300m to over 1500m;
- In addition to the existing gas discoveries in conventional petroleum reservoirs, composite wireline and mudlog gas display of these wells have consistently indicated the presence of continuous elevated gas shows. Source rock analyses on core, sidewall core and cuttings samples have indicated the presence of source rocks with up to 4.3 % Total Organic Contact and mature for gas and oil generation; and
- **Advent has calculated a risked recoverable of 9.8 TCF for the shale gas areas of the Bonaparte permits of EP386 and RL1.**

Garimala-1: Elevated Gas Shows over Milligans-Langfield Section



Example well composite log from Garimala-1 demonstrating elevated gas shows over a considerable shale sequence. Composite well logs from all onshore Bonaparte Basin wells demonstrate similar characteristics.

COMPANY FOCUS AND DEVELOPMENTS

MEC's investment focus (continued):
Advent Energy (continued)

Unconventional Resources Within EP386 and RL1 (continued)

Advent has recognised a considerable potential hydrocarbon resource and is working toward identifying and understanding the nature of the unconventional shale gas/condensate play in its 100% owned EP386 and RL1 permits.

An independent report has assessed the shale gas potential in Australia's sedimentary basins, and has described a 6 trillion cubic feet (Tcf) resource for the onshore Bonaparte Basin, equal to a 1.09 billion barrels of oil equivalent (BOE) resource.

The report, titled *Engineering energy: unconventional gas production*, as a study of shale gas in Australia was undertaken by the Australian Council of Learned Academies (ACOLA). The ACOLA resource assessment made in the onshore Bonaparte Basin was assessed from the Milligans Formation gas zone.

In calculating the recoverable gas resource of 6 Tcf (over 1 billion BOE), the ACOLA report uses a figure of only 120 feet (36 metres) as a shale thickness.

Advent has previously analysed the well logs of 16 conventional wells drilled in its areas in the Bonaparte Basin.

The thickness of the shales in these wells within the Milligans Formation varies from 300 metres to 1700 metres (984 feet to 5574 feet), and is materially thicker than the ACOLA figure.

The ACOLA report also used a total organic carbon (TOC) of 1.8% in deriving its assessment of shale source. Advent has reprocessed its well logs and observed TOC of up to 5% in a number of wells. Gas flow results from the conventional gas wells in Advent's acreage have been up to 4.5 million standard cubic feet per day (MMscf/d).

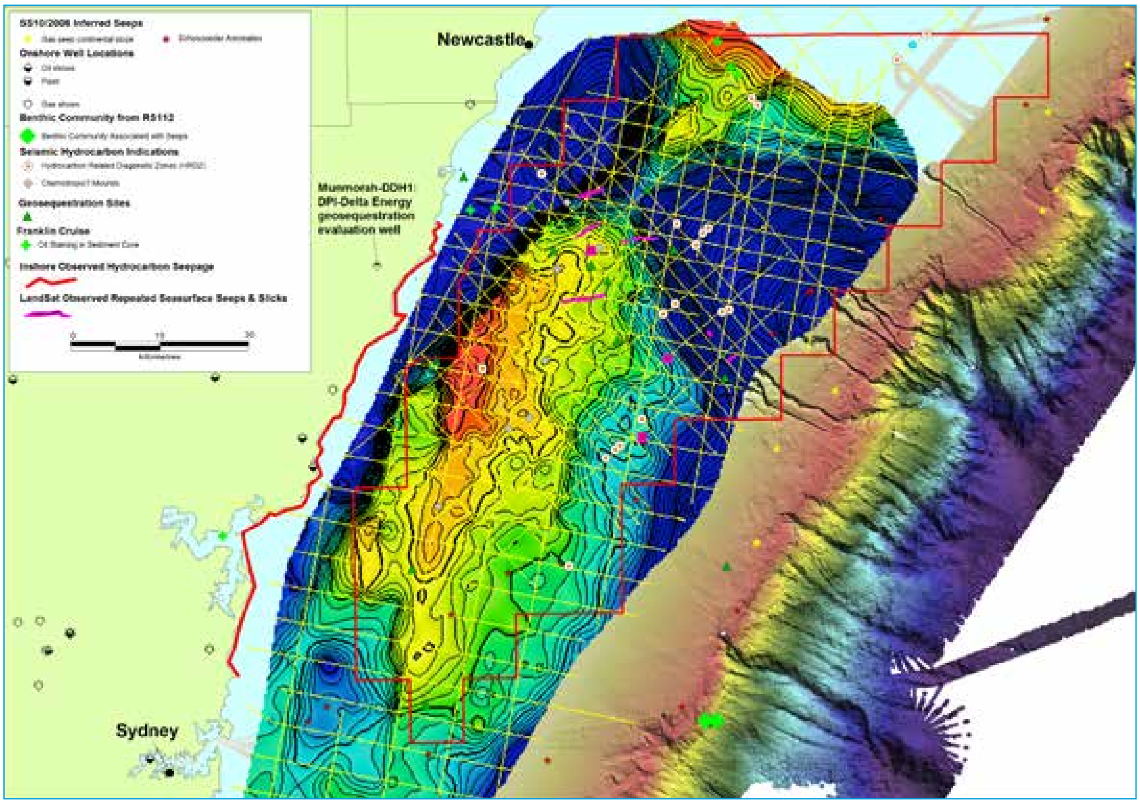
Whilst encouraging that one of Australia's premier petroleum producing basins is finally getting the recognition it deserves for its rich petroleum potential, the report's assessment of the onshore Bonaparte Basin's shale gas potential has not had the benefit of using information now available from the reprocessed petrophysical logs from the numerous wells in the area. This additional information provides further confidence in their findings and impacts positively on the potential estimates of unconventional gas resources in the area.

PEP11 Oil and Gas Permit

Advent, through wholly owned subsidiary Asset Energy Pty Ltd, 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.

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.



COMPANY FOCUS AND DEVELOPMENTS

MEC's investment focus (continued): Advent Energy (continued)

PEP11 Oil and Gas Permit

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.

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.

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

Advent's PEP11 project has attracted broad industry interest due to the foreseen east coast gas shortage. Media has reported NSW industrial gas consumers are preparing to shut operations during peak winter gas demand next year as they cannot guarantee gas supplies. The looming NSW gas shortage is anticipated to commence through the winter of 2016. Furthermore, east coast gas prices are on the rise as the LNG export plants of Gladstone, Queensland, continue to come into production thereby rapidly tripling natural gas demand.

BPH Energy Limited

MEC Resources holds 8.3% of BPH Energy Limited ("BPH").

BPH is a diversified company holding investments in biotechnology and resources. BPH holds a significant interest (27%) in unlisted oil and gas exploration company Advent Energy Ltd. BPH is commercialising a portfolio of Australian biomedical technologies emerging from collaborative research by leading universities, medical institutes and hospitals across Australia.

Biomedical technologies in the commercialisation stage include:

- Cortical Dynamics' Brain Anaesthesia Response (BAR) Monitor; a device that measures a patient's brain electrical activity (EEG) to indicate the response to drugs administered during surgery
- HLS5 Tumour Suppress Gene; a genetic marker for early and accurate cancer detection

Molecular Discovery Systems (MDSystems), launched in 2006 and spun off from BPH in 2009, is a subsidiary of BPH for drug discovery and validation of biomarkers for disease, therapy and diagnostics.

Cortical has completed its first human clinical trial using the BAR monitor end-to-end (from electrode to monitor). The aim of study was to (a) evaluate the BAR monitor's ability to distinguish between two doses of fentanyl, a commonly used analgesic agent, and (b) assess the immunity of the BAR monitor to a range of mechanical and electrical artifacts known to complicate EEG measurement. In the study a total of 25 patients undergoing coronary artery graft bypass surgery were recruited in to the trial.

Significantly, the analysis concluded that CI could differentiate between the different doses of fentanyl while CS was well correlated with the Bispectral Index (BIS), a generally accepted measure of sedation. In addition this trial demonstrated the ability of the BAR monitor to operate effectively in an electrically noisy operating room environment. The trial's findings suggest that the BAR monitor may find significant utility in the delivery of optimal and balanced surgical anaesthesia.

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 exploration 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 2015.

Directors

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

H Goh
D L Breeze
K O Yap
D Ambrosini

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 15 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 exploration 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 current 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 44.89%.

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.

Advent is investigating a considerable potential shale gas resource within EP386 and RL1. Studies indicate significant potential upside in prospective shale gas resources with an estimated (Best Estimate) prospective recoverable resource of 9.8 Tcf (Low Estimate is 1.9 Tcf and High Estimate is 25.4 Tcf)

A 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 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.

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 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.

Operating Results

The loss attributable to the owners of the consolidated entity after tax for the year was $1,767,525 (2014: Loss $1,371,185).

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.

Financial Position

The net assets of the consolidated entity have decreased by $2,296,139 to $29,504,685 at 30 June 2015. The reduced net asset position can predominantly be attributed to loss incurred on the sale of redundant capitalised items during the year.

Significant Changes In State Of Affairs

- On 23 January 2015 MEC Resources announced a Share Purchase Plan. The plan was open to existing shareholders who were able to purchase up to $15,000 worth of stock at a 20% discount to the average market price of the Company's shares calculated over the five days prior to and including the record date. The plan was closed on 23 February 2015 and successfully raised cash of $560,000 and $45,000 non-cash after Mr David Breeze participated through the conversion of prior year accrued director fees.

- During the year, Advent Energy's wholly owned subsidiary, Asset Energy Pty Ltd (Asset), received a 12 month suspension of its PEP11 permit year 2 work program of a 200 km 2D seismic survey and geotechnical studies.

DIRECTORS' REPORT

Significant Changes In State Of Affairs (continued)

- Asset commenced preparation of an Environment Plan for approval by National Offshore Petroleum Safety and Environmental Management Authority prior to undertaking the seismic acquisition in the PEP11 permit, offshore NSW.

- Advent Energy continued with commercial discussions, planning and engineering evaluation for development of its conventional gas resources in EP386 and RL1, onshore Bonaparte Basin. This includes discussions with potential third party infrastructure providers to contribute expertise and resources to the conceptual commercialisation of a virtual pipeline gas delivery methodology in the east Kimberley region. This commercialisation strategy is aided by the completion of key road infrastructure constructed by the State and Federal Governments as part of the East Kimberley Development Package that encroaches upon Advent's gas resources in EP386 and RL1.

- Advent Energy's wholly owned subsidiary, Onshore Energy Pty Ltd, received a 12 month suspension of its EP386 permit year 2 work program of one exploration well.

- During the period, Advent Energy, along with its Joint Venturers, lodged an application to the Western Australian Department of Mines & Petroleum to surrender EP325 in the Exmouth Sub-basin of the Carnarvon Basin.

- The Seafarms Group is progressing the potential development of Project Sea Dragon, a proposed world scale aquaculture operation adjacent to MEC Resources' investee Advent Energy's EP386 and RL1 gas resources spanning the border of northern Western Australia and Northern Territory. Land access rights for Legune Station have been acquired by the Seafarms Group which will allow progression to application for regulatory approvals and commencement of a bankable feasibility study. 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.

After Balance Date Events

Other than referred to at Note 22 there have not been any matters or circumstances that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Future Developments

The entity will continue to develop its investee portfolio projects including PEP 11 and EP 386 and will evaluate and invest in a range of resource projects.

Information on Directors

H Goh

Non-Executive Chairman – Age 60

Shares held in MEC – 5,085,598
Shares held in Advent Energy – 3,000,000
Listed Options held – nil
Unlisted Options held MEC – nil

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.

D L Breeze

Executive Director and Managing Director – Age 61

Shares held MEC – 15,192,583
Shares held in Advent – 2,000,000
Listed Options – nil
Unlisted Options held in Advent – 2,000,000
Unlisted Options held in MEC – nil

David has been Executive Director of MEC Resources since 2005. He is also Chairman of Grandbridge Limited (a publicly listed investment company) and BPH Energy Limited, and an Executive Director of Advent Energy Ltd. He has extensive experience in transaction structuring, corporate advisory and funding for listed and unlisted companies. He has also held executive, consulting and/or board positions across a range of stockbroking companies.

David has provided Independent Experts reports for asset valuation under the provisions of the Australian Securities Exchange Rules and Corporations Law. He has also published in the Australian Securities Industry Journal on resource valuation and is a co-author of an European Geosciences Union paper. He holds a Bachelor of Economics and an MBA, and is a Fellow of the Financial Services Institute of Australia and the Institute of Company Directors of Australia.

DIRECTORS' REPORT

Information on Directors (continued)

K O Yap

Non-Executive Director – Age 53

Shares held MEC – 4,039,350
Listed options – nil
Unlisted Options held in MEC – nil

K.O Yap has over 16 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.

D Ambrosini

Executive Director and Company Secretary – Age 41

Shares held – nil
Listed options – nil
Unlisted Options held in MEC – nil
Unlisted Options held in Advent Energy – 500,000

Deborah is a chartered accountant with over 15 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.

Deborah is a member of the Institute of Chartered Accountants in Australia and was a state finalist in the 2009 Telstra Business Woman Awards. Deborah was also a recipient of the highly regarded 40 under 40 award held by the WA Business News.

Deborah is also a Director of ASX listed Grandbridge Limited.

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management personnel of MEC Resources Ltd.

H Goh – *Non-Executive Chairman*

D L Breeze – *Executive Director*

K O Yap – *Non-Executive Director*

D Ambrosini – *Executive Director and Company Secretary*

E H Tan – *Non-Executive Director of Advent Energy*

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 2014 financial accounts was adopted at the company's 2014 annual general meeting. 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.

The Board's policy for determining the nature and amount of remuneration for Board members and senior executives of the economic entity 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 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 economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

The performance of executives is measured against criteria agreed biannually with each executive and is based predominantly on the forecast growth of the economic entity'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.

The executives receive a superannuation guarantee contribution required by the government, which is currently 9.50%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

DIRECTORS' REPORT

Remuneration Policy (continued)

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 is 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 economic entity. 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 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 retirement, key management personnel are paid employee benefit entitlements accrued to date of retirement. Key management personnel are paid one 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 managing director are formalised in a contract of employment. The employment contract stipulates a six month resignation period. The company may terminate an employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment of six months of the individual's fixed salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct, the company can terminate employment at any time. 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 2015

The remuneration for each director of the consolidated entity receiving the highest remuneration during the year was as follows:

2015

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Bonus	Non-cash benefit	Other	Superannuation
H Goh	100,000	-	-	-	-
D L Breeze	115,000	-	-	-	-
K O Yap	25,000	-	-	-	-
D Ambrosini	50,000	-	-	-	-
E H Tan	25,000	-	-	-	-

2015 (continued)

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related	Compensation relating to options
	Other	Shares	Options	$	%	%
H Goh	-	-	-	100,000	-	-
D L Breeze	-	-	-	115,000	-	-
K O Yap	-	-	-	25,000	-	-
D Ambrosini	-	-	-	50,000	-	-
E H Tan	-	-	-	25,000	-	-

During the year Mr Breeze participated in the Company's shareholder share purchase plan by converting $45,000 of prior year accrued director fees.

2014

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Bonus	Non-cash benefit	Other	Superannuation
H Goh	100,000	-	-	-	-
D L Breeze	115,000	-	-	-	-
K O Yap	25,000	-	-	-	-
D Ambrosini	50,000	-	-	-	-
E H Tan	25,000	-	-	-	-

DIRECTORS' REPORT

Details of Remuneration for the year ended 30 June 2015 (continued)

2014 (continued)

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related	Compensation relating to options
	Other	Shares	Options	$	%	%
H Goh	-	-	-	100,000	-	-
D L Breeze	-	-	-	115,000	-	-
K O Yap	-	-	-	25,000	-	-
D Ambrosini	-	-	-	50,000	-	-
E H Tan	-	-	-	25,000	-	-

The company has an agreement with Trandcorp Pty Ltd on normal commercial terms procuring the services of David Breeze. The agreement is at the rate of $65,000 per annum, commencing from the time of receiving listing approval. This is included in Mr Breeze's total remuneration above. Board payments may be made up to a level of $250,000 per annum. Payments 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.

The following share-based payment arrangements were in existence relating to directors remuneration.

Option Series	Company	Grant date	Expiry date	Grant date fair value	Vesting date	No. of Options
05/08/2010	Advent Energy	05/08/2010	05/08/2015	0.1784	05/08/2010	2,000,000
05/08/2010	Advent Energy	05/08/2010	05/08/2015	0.1784	05/08/2014	500,000

There are no further service or performance criteria that need to be met in relation to options granted. 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 however this has been influenced by the loss incurred on the sale of redundant capitalised items. A book loss of $1.2M was recorded on the sale of these items. The normalised loss of the company during the period was $1,6M representing a decrease in the operating loss from the prior year. The Board is of the opinion that the decreased loss is in line with expectations after significant efforts have been made to cut the costs of the company while navigating very difficult market conditions.

	2011	2012	2013	2014	2015
Revenue	670,522	376,380	164,590	58,933	28,524
Net Profit/Loss	(8,005,537)	(9,645,887)	(3,263,080)	(1,916,524)	(2,903,730)
Share price at Year end	$0.11	$0.085	$0.038	$0.037	$0.019
Loss per share	($2.79)	($5.89)	($1.31)	($0.87)	($0.01)

End of remuneration report.

Meetings of Directors

During the financial year, three meetings of directors (including committees of directors) were held. Attendances by each director during the year were:

	Directors' Meetings	
	Number eligible to attend	Number attended
H Goh	3	3
D L Breeze	3	3
K O Yap	3	3
D Ambrosini	3	3

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 $25,685.

- D Breeze
- D Ambrosini
- H Goh
- K O Yap
- E H Tan

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

Options

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

MEC Resources

Grant Date	Date of Expiry	Exercise Price	Number Under Option
05/08/2010	05/08/2015	$1.25	150,000
06/10/2010	06/10/2015	$1.25	250,000
06/10/2010	06/10/2015	$1.50	250,000
04/11/2010	04/11/2015	$1.25	100,000
21/01/2011	21/01/2016	$0.80	325,000
04/07/2011	14/07/2015	$0.35	1,000,000
01/07/2013	30/06/2018	$0.10	950,000
02/04/2015	31/03/2020	$0.06	2,400,000

DIRECTORS' REPORT

Options (continued)

Advent Energy

Grant Date	Date of Expiry	Exercise Price	Number Under Option
05/08/2010	05/08/2015	$2.00	2,500,000

During the year ended 30 June 2015, nil ordinary shares of MEC Resources Ltd were issued on the exercise of options granted under the MEC Resources Ltd Incentive Option Scheme (2014: 10,000). 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

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings. The company was not a party to any such proceedings during the year.

Environmental Issues

The consolidated group's operations are subject to significant environmental regulation under Commonwealth and State laws. Details of the consolidated group's performance in relation to environmental regulation follow.

MEC investee Advent performed and concluded its production testing operations in 2012 under the existing Environmental Management Plan approved prior to the production testing operations that had commenced in 2011.

During 2011 Advent applied for and was granted the approval to re-enter Waggon Creek-1 within EP 386 during the 2011 dry season for the purposes of performing recompletion and production testing on this gas discovery well. Waggon Creek-1 was drilled in 1995 by previous operators. Advent opted to access this site using existing access roads, tracks and previously cleared seismic lines to ensure that any impact on the environment through its re-entry activities was as low as reasonably practical. The early onset of the wet season prevented Advent from concluding its production testing operations during 2011. These were concluded during the 2012 dry season under the existing approved Environmental Management Plan.

During the period, no activities were performed subject to any relevant environmental regulations.

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 2015 (2014: Nil).

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2015 has been received and can be found on page 22.

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

David Breeze
Director

Dated this 27th Day of August 2015

AUDITOR'S INDEPENDENCE DECLARATION

the next solution

Lead auditor's independent declaration under section 307C of the *Corporations Act 2001*.

To the directors of MEC Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

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

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

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

Perth

27 August 2015

Nexia Perth Audit Services Pty Ltd
ACN 145 447 105
Level 3, 88 William Street, Perth WA 6000
GPO Box 2570, Perth WA 6001
p +61 8 9463 2463, f +61 8 9463 2499
audit@nexiaperth.com.au, www.nexia.com.au

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.

Corporate Governance Disclosures

MEC and the Board are committed to achieving and demonstrating the highest standards of corporate governance. The Board continues to review the framework and practices to ensure they meet the interests of shareholders. The company and its controlled entities together are referred to as the Group in this statement.

Composition of the Board

The composition of the Board is determined in accordance with the following principles and guidelines:

- the Board should comprise a majority or at least 50% of the Board will comprise independent non-executive directors;
- the Board should comprise at least one director with an appropriate range of qualifications and expertise; and
- the Board shall meet at regular intervals and follow meeting guidelines set down to ensure all directors are made aware of, and have available all necessary information, to participate in an informed discussion of all agenda items.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the service of a new director with particular skills, the Board selects a candidate or panel of candidates with the appropriate expertise.

The Board then appoints the most suitable candidate, who must stand for election at the next general meeting of shareholders. The company does not have a formal Nomination Committee.

Remuneration and Nomination Committees

The company does not have a formal Remuneration or Nomination Committees. The full Board attends to the matters normally attended to by a Remuneration Committee and a Nomination committee. Remuneration levels are set by the company in accordance with industry standards to attract suitably qualified and experienced Directors and senior executives.

CORPORATE GOVERNANCE STATEMENT

Audit Committee

The company does not have a formal Audit Committee. The full Board carries out the functions of an Audit Committee. Due to the status of the company and the relatively straight forward accounts of the company, the Directors believe that there presently would be no additional benefits obtained by establishing such a committee. The Board follows the Audit Committee Charter, a copy of which is available on request.

Board Responsibilities

As the Board acts on behalf of and is accountable to the shareholders, it seeks to identify the expectations of the shareholders, as well as other regulatory and ethical expectations and obligations. In addition, the Board is responsible for identifying areas of significant business risk and ensuring arrangements are in place to adequately manage those risks. The Board seeks to discharge these responsibilities in a number of ways.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Managing Director. The Board ensures that the Managing Director is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the company's officers, employees, contractors and consultants.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- Implementation of operating plans and budgets by management and Board monitoring progress against budget; and
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense.

Monitoring of the Board's Performance

In order to ensure that the Board continues to discharge its responsibilities in an appropriate manner, the performance of all directors is to be reviewed annually by the chairperson. Directors whose performance is unsatisfactory are asked to retire.

Best Practice Recommendation

Outlined below are the 8 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council. The company has complied with the Corporate Governance Best Practice Recommendations except as identified below.

Action taken and reasons if not adopted

Principle 1: Lay solid foundations for management and oversight

The relationship between the Board and senior management is critical to the Group's long-term success. The directors are responsible to the shareholders for the performance of the Group in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Group as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Group is properly managed.

The responsibilities of the Board include:

- providing strategic guidance to the Group including contributing to the development of and approving the corporate strategy;
- reviewing and approving business plans, and financial plans including major capital expenditure initiatives;
- overseeing and monitoring:
  - organisational performance and the achievement of the Group's strategic goals and objectives; and
  - progress of major capital expenditures and other significant corporate projects including any acquisitions or divestments;
- monitoring financial performance including approval of the annual and half-year financial reports;
- appointment, performance assessment and, if necessary, removal of the Managing Director;
- ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the CFO and Company Secretary (Deborah Ambrosini);
- ensuring there are effective management processes in place and approving major corporate initiatives;
- enhancing and protecting the reputation of the organization; and
- overseeing the operation of the Group's system for compliance and risk management reporting to shareholders.

Day to day management of the Group's affairs and the implementation of the corporate strategy and policy initiatives are formally delegated by the Board to the Managing Director and senior executives.

CORPORATE GOVERNANCE STATEMENT

Action taken and reasons if not adopted

Principle 2: Structure the Board to add value

The Board operates in accordance with the broad principles set out in its charter. The charter details the Board's composition and responsibilities.

The Board seeks to ensure that :

- at any point in time, its membership represents an appropriate balance between directors with experience and knowledge of the Group and directors with an external or fresh perspective; and
- the size of the Board is conducive to effective discussion and efficient decision-making.

Directors' independence

The Board has adopted specific principles in relation to directors' independence. These state that when determining independence, a director must be a non-executive and the Board should consider whether the director:

- is a substantial shareholder of the company or an officer of, or otherwise associated directly with, a substantial shareholder of the company;
- is or has been employed in an executive capacity by the company or any other Group member within three years before commencing to serve on the Board;
- within the last three years has been a principal of a material professional adviser or a material consultant to the company or any other Group member, or an employee materially associated with the service provided;
- has a material contractual relationship with the company or a controlled entity other than as a director of the Group; and
- is free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with the director's independent exercise of their judgement.

Materiality for these purposes is determined on both quantitative and qualitative bases. A transaction of any amount or a relationship is deemed material if knowledge of it may impact the shareholders' understanding of the director's performance.

The Board assesses independence each year. To enable this process, the directors must provide all information that may be relevant to the assessment.

Board members

Details of the members of the Board, their experience, expertise, qualifications, term of office, relationships affecting their independence and their independent status are set out in the directors' report under the heading ''Information on directors". At the date of signing the directors' report, there are two non-executive directors and two executive directors, all four of whom have no relationships adversely affecting independence and so are deemed independent under the principles set out above.

- Mr Breeze has business dealings with the Group as disclosed in note 23 to the financial report.

Action taken and reasons if not adopted
Term of office The company's Constitution specifies that all non-executive directors must retire from office no later than the third annual general meeting (AGM) following their last election. Where eligible, a director may stand for re-election, subject to the following limitations: • on attaining the age of 72 years a director will retire, by agreement, at the next AGM and will not seek re-election. **Chair and Managing Director** The Chair is responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, facilitating Board discussions and managing the Board's relationship with the company's senior executives. In accepting the position, the Chair has acknowledged that it will require a significant time commitment and has confirmed that other positions will not hinder his effective performance in the role of Chair. The Managing Director is responsible for implementing Group strategies and policies. **Committees** The number of meetings of the company's Board of Directors and of each Board committee held during the year ended 30 June 2015 and the number of meetings attended by each director is disclosed on page 19. It is the company's practice to allow its executive directors to accept appointments outside the company. No appointments of this nature were accepted during the year ended 30 June 2015. The company is not of a size at the moment that justifies having a separate Nomination Committee. However, matters typically dealt with by such a committee are dealt with by the Board. Notices of meetings for the election of directors comply with the ASX Corporate Governance Council's best practice recommendations.

CORPORATE GOVERNANCE STATEMENT

Action taken and reasons if not adopted

Principle 3: Promote ethical and responsible decision making

The company has developed a statement of values which has been fully endorsed by the Board and applies to all directors and employees. The Statement is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Group's integrity and to take into account legal obligations and reasonable expectations of the company's stakeholders.

The Statement requires that at all times all company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and company policies.

The company's share trading policy is set out on the company's website.

The purchase and sale of company securities by directors and employees is monitored by the Board.

The company's policy regarding diversity is set out on the company's website.

The company's diversity policy does not include measurable objectives as the Board believes that the company will not be able to successfully meet these given the size and stage of development of the company. If the company's activities increase in size, nature and scope in the future, the suitable measurable objectives will be agreed and put into place. The company is committed to Diversity and Equal Opportunity within its workforce, placing particular focus on the level of gender diversity at senior levels of the organisation. The company ensures this is achieved by :

- ensuring recruitment and selection practices enable the availability of a diverse candidate pool for appointments at senior levels;
- development of high potential women;
- implementation of flexible working arrangements; and
- ensuring remuneration practices are free from gender bias.

Given the size of the company the Directors do not consider it appropriate to set and include measurable objectives in relation to diversity within the annual report. Notwithstanding this, the company strives to provide the best possible opportunities for current and prospective employees of all backgrounds in such a manner that best adds to overall shareholder value and which reflects the values, principles and spirit of the Company's Diversity Policy.

At conclusion of the reporting year, one of MEC's four directors is female.

Action taken and reasons if not adopted

Principle 4: Safeguard integrity in financial reporting

Adopted except as follows:-

The company does not have a separate Audit Committee. The full Board carries out the functions of an Audit Committee. The Board has the authority, within the scope of its responsibilities, to seek any information it requires from any employee or external party.

Due to the status of the company and the relatively straight forward accounts of the company, the Directors at the moment can see no additional benefits to be obtained by establishing such a committee.

The Board follows the Audit Committee Charter, a copy of which is available on request.

The company is not of a size at the moment that justifies having an internal audit division.

External auditors

The Board's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and applications for tender of external audit services are requested as deemed appropriate, taking into consideration assessment of performance, existing value and tender costs. Nexia was appointed as the external auditor in 2012. It is the Corporation Act's policy to rotate audit engagement partners on listed companies at least every five years. A partner should not be re-assigned to a listed entity audit engagement if this equates to the partner serving in this role for more than 5 out of 7 successive years.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the directors' report and in note 4 to the financial statements. The external auditors provide an annual declaration of their independence to the Board.

The external auditor will attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the audit report.

CORPORATE GOVERNANCE STATEMENT

Action taken and reasons if not adopted
Principle 5&6: Make timely and balanced disclosures and respect the rights of shareholders **Continuous disclosure and shareholder communication** The company has policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Group that a reasonable person would expect to have a material effect on the price of the company's securities. These policies and procedures also include the arrangements the company has in place to promote communication with shareholders and encourage effective participation at general meetings. The Company Secretary has been nominated as the person responsible for communications with the ASX. This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public. All information disclosed to the ASX is posted on the company's website as soon as it is disclosed to the ASX. When analysts are briefed on aspects of the Group's operations, the material used in the presentation is released to the ASX and posted on the company's web site. Procedures have also been established for reviewing whether any price sensitive information has been inadvertently disclosed and, if so, this information is also immediately released to the market. All shareholders receive a copy of the company's annual (full or concise) and half-yearly reports. In addition, the company seeks to provide opportunities for shareholders to participate through electronic means. Recent initiatives to facilitate this include making all company announcements, media briefings, details of company meetings, and financial reports available on the company's website.

Action taken and reasons if not adopted

Principle 7: Recognise and manage risk

The Board and senior executives are responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the company policies are designed to ensure strategic, operational, legal, reputational and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Group's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. The Board actively promotes a culture of quality and integrity.

The responsibility for the operation and administration of the economic entity is delegated by the Board to the Managing Director. The Board ensures that the Managing Director is appropriately qualified and experienced to discharge his responsibilities, and has in place procedures to assess the performance for the company's officers, employees, contractors and consultants. The Board receives monthly updates as to the effectiveness of the company's management of material risks that may impede meeting business objectives.

The Board is responsible for ensuring that management's objectives and activities are aligned with the expectations and risks identified by the Board. It has a number of mechanisms in place to ensure this is achieved, including the following:

- Board approval of a strategic plan, designed to meet shareholder needs and manage business risk;
- Implementation of operating plans and budgets by management and Board monitoring progress against budget; and
- Procedures to allow directors, in the furtherance of their duties, to seek independent professional advice at the company's expense.

Control procedures cover management accounting, financial reporting, project appraisal, IT security, compliance and other risk management issues. The Managing Director is required to ensure that appropriate controls are in place to effectively manage the identified risks. This is monitored by the Board on a monthly basis.

The environment

Information on compliance with significant environmental regulations is set out in the directors' report.

Corporate reporting

The Managing Director and CFO have made the following certifications to the Board:

- that the company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the company and Group and are in accordance with relevant accounting standards; and
- that the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that the company's risk management and internal compliance and control is operating efficiently and effectively in all material respects in relation to financial reporting risks.

CORPORATE GOVERNANCE STATEMENT

Action taken and reasons if not adopted
Principle 8: Remunerate fairly and responsibly The company is not of a size at the moment that justifies having a separate Remuneration Committee. However, matters typically dealt with by such a committee are dealt with by the Board. The Board makes specific recommendations on remuneration packages and other terms of employment for executive directors, other senior executives and non-executive directors. Each member of the senior executive team signs a formal employment contract at the time of their appointment covering a range of matters including their duties, rights, responsibilities and any entitlements on termination. The standard contract refers to a specific formal job description. Further information on directors' and executives' remuneration, including principles used to determine remuneration, is set out in the directors' report under the heading ''Remuneration report". In accordance with Group policy, participants in equity-based remuneration plans are not permitted to enter into any transactions that would limit the economic risk of options or other unvested entitlements. The Board with the Managing Director also assumes responsibility for overseeing management succession planning, including the implementation of appropriate executive development programmes and ensuring adequate arrangements are in place, so that appropriate candidates are recruited for later promotion to senior positions.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated	
	Note	2015 $	2014 $
Revenue	2	28,524	58,933
Other gains and losses	2	(1,425,070)	(130,054)
Other Income	2	234	105
Administration expenses		(216,577)	(242,567)
Consulting and Legal expenses	3	(257,662)	(344,201)
Depreciation and amortisation expense		(3,081)	(4,435)
Employee expenses	3	(473,235)	(507,789)
Insurance expenses		(30,349)	(59,349)
Interest expenses		(3,466)	(24,485)
Data Centre administration		(12,726)	(10,470)
Service Fees		(331,156)	(364,385)
Travelling expenses		(56,382)	(108,072)
Other expenses		(122,784)	(179,755)
Operating Loss Before Income Tax		(2,903,730)	(1,916,524)
Income tax expense	8	-	-
Operating Loss for the year		(2,903,730)	(1,916,524)
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 income for the period		(2,903,730)	(1,916,524)
Loss attributable to non-controlling interest		(1,136,205)	(545,339)
Loss attributable to owners of the company		(1,767,525)	(1,371,185)
Total Comprehensive income attributable to non-controlling interest		(1,136,205)	(545,339)
Total Comprehensive Income attributable to the owners of the Company		(1,767,525)	(1,371,185)
Earnings Per Share – Basic and diluted earnings per share (cents per share)	6	(1.07)	(0.87)

The accompanying notes form part of these financial statements.

MEC Resources

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2015

	Note	Consolidated 2015 $	2014 $
Current Assets			
Cash and cash equivalents	7	1,265,571	1,623,636
Trade and other receivables	9	69,567	237,780
Financial assets	12	44,867	44,867
Other current assets	10	33,018	29,486
Total Current Assets		1,413,023	1,935,769
Non-Current Assets			
Other non-current assets	10	127,680	22,673
Evaluation and exploration expenditure	11	29,024,515	30,405,290
Financial assets	12	285,333	584,839
Property, plant & equipment	13	2,952	6,033
Total Non-Current Assets		29,440,480	31,018,835
Total Assets		30,853,503	32,954,604
Current Liabilities			
Trade and other payables	14	545,074	460,021
Provisions	15	87,016	88,125
Financial liabilities	16	697,978	594,527
Total Current Liabilities		1,330,068	1,142,673
Non-Current Liabilities			
Provisions	15	18,750	11,107
Total Non-Current Liabilities		18,750	11,107
Total Liabilities		1,348,818	1,153,780
Net Assets		29,504,685	31,800,824
Equity			
Issued capital	17	25,529,466	24,924,466
Option Reserve	18	522,672	520,081
Accumulated losses		(24,839,843)	(23,072,318)
Total Equity Attributable to Owners		1,212,295	2,372,229
Non-controlling Interest		28,292,390	29,428,595
Total Equity		29,504,685	31,800,824

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2015

	Ordinary Share Capital $	Accumulated losses $	Option Reserve $	Total attributable to owners $	Non-controlling Interest $	Total $
Balance at 1 July 2013	24,922,466	(21,701,133)	493,767	3,715,100	29,973,934	33,689,034
Loss attributable to members of the consolidated entity	-	(1,371,185)	-	(1,371,185)	(545,339)	(1,916,524)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(1,371,185)	-	(1,371,185)	(545,339)	(1,916,524)
Transactions with owners in their capacity as owners						
Options exercised during the financial period	2,000	-	-	2,000	-	2,000
Options issued during the financial period	-	-	26,314	26,314	-	26,314
Balance at 30 June 2014	24,924,466	(23,072,318)	520,081	2,372,229	29,428,595	31,800,824
Balance at 1 July 2014	24,924,466	(23,072,318)	520,081	2,372,229	29,428,595	31,800,824
Loss attributable to members of the consolidated entity	-	(1,767,525)	-	(1,767,525)	(1,136,205)	(2,903,730)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(1,767,525)	-	(1,767,525)	(1,136,205)	(2,903,730)
Transactions with owners in their capacity as owners						
Options exercised during the financial period	605,000	-	-	605,000	-	605,000
Options issued during the financial period	-	-	2,591	2,591	-	2,591
Balance at 30 June 2015	25,529,466	(24,839,843)	522,672	1,212,295	28,292,390	29,504,685

The accompanying notes form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2015

	Note	Consolidated 2015 $	2014 $
Cash Flows From Operating Activities			
Receipts from customers		-	-
Payments to suppliers and employees		(1,166,660)	(2,410,300)
Interest received		28,524	58,933
Net cash used in operating activities	**19**	(1,138,136)	(2,351,367)
Cash Flows From Investing Activities			
Amounts repaid by/ (loaned to) other entities		(110,000)	(65,000)
Amounts repaid to other entities		(40,000)	-
Receipts for sale of equipment		163,921	-
Receipts from sale of listed investments		209,885	-
Payment for property, plant and equipment		-	(1,225)
Payment for deferred expenditure – (net of reimbursements)		(3,735)	(168,246)
Net cash used in investing activities		220,071	(234,471)
Cash Flows From Financing Activities			
Proceeds from Share Issue		560,000	2,000
Net cash provided by financing activities		560,000	2,000
Net increase (decrease) in Cash Held		(358,065)	(2,583,838)
Cash At the Beginning Of The Financial Year		1,623,636	4,207,474
Cash At The End Of The Financial Year	**7**	1,265,571	1,623,636

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

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 27th August 2015 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

The consolidated entity has incurred losses for the year ended 30 June 2015 of $2,903,730 (2014: losses of $1,916,524) and has a net cash outflow from operating activities of $1.138,136 (2014: $2,351,367).

The consolidated entity has a working capital surplus of $92,086 (Note 17b) as at 30 June 2015 (30 June 2014: surplus of $806,868) which includes cash assets of $1,265,571 as at 30 June 2015 (30 June 2014: $1,623,636), trade receivables of $69,567 (2014: 237,780), trade creditors and other payables of $545,074 and (30 June 2014: $460,021) and financial liabilities of $697,978 (2014: 594,527.)

Included in trade creditors and payables are director fee accruals of $449,515 (30 June 2014: $221,219). The directors have reviewed their expenditure and commitments for the consolidated entity and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their directors' fees to conserve cash resources until such time that the consolidated entity has sufficient cash.

The Group has total financial liabilities of $697,978 at 30 June 2015. Subsequent to year end the Group has received confirmation from the lender that the current financial liabilities of $697,978 $ (2014: $506,365) will not be called for a period of 12 months from the date of this financial report or until such time as the Group is financially independent.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. Statement of Significant Accounting Policies (continued)

The directors have prepared cash flow forecasts that indicate that the consolidated entity 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.

Based on the cash flow forecasts, directors voluntarily suspending their payments, deferral of $697,978 in financial liabilities and the reduction of operational costs, the directors are satisfied that, the going concern basis of preparation is appropriate. The financial report has therefore been prepared on a going concern basis, which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

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

Accounting Policies

(a) Principles of Consolidation

A controlled entity is any entity which MEC Resources Limited 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 24 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 economic entity, 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 economic entity 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 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

(b) Business Combinations

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. Statement of Significant Accounting Policies (continued)

(d) Property, plant and equipment

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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

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 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%

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 income statement. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(e) Exploration and Development Expenditure

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 entity 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 entity 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

1. Statement of Significant Accounting Policies (continued)

(f) Financial Instruments (continued)

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.

(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 AFS 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 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. Statement of Significant Accounting Policies (continued)

(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.

(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 recognized for amounts to be paid in the future for goods or services received, whether or not billed to the consolidated entity. 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 recognized 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 entity 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

1. Statement of Significant Accounting Policies (continued)

(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.

(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 11 for further discussion on the commitments of the exploration permits held by the Group.

(s) Application of New and Revised Accounting Standards

Standards adopted in the current year

New and amended standards adopted in the current year

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 July 2014:

- AASB 2013-3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non-FinancialAssets
- AASB 2013-4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- Interpretation 21 Accounting for Levies
- AASB 2014-1 Amendments to Australian Accounting Standards.

The adoption of these standards did not have any impact on the current period or any prior period and is not likely to affect future periods.

New standards not yet adopted

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2015 reporting periods and have not been early adopted by the group. The group's assessment of the impact of these new standards and interpretations is set out below.

AASB 9 Financial Instruments

AASB 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities and introduces new rules for hedge accounting. In December 2014, the AASB made further changes to the classification and measurement rules and also introduced a new impairment model. These latest amendments now complete the new financial instruments standard.

AASB 9 must be applied for financial years commencing on or after 1 January 2018. Based on the transitional provisions in the completed IFRS 9, early adoption in phases was only permitted for annual reporting periods beginning before 1 February 2015. After that date, the new rules must be adopted in their entirety.

The standard is not expected to have a material impact on the group's financial instruments.

AASB 15 Revenue from Contracts with Customers

AASB has issued a new standard for the recognition of revenue. This will replace AASB 118 which covers contracts for goods and services and AASB 111 which covers construction contracts. The new standard is based on the principle that revenue is recognised when control of a good or service transfers to a customer – so the notion of control replaces the existing notion of risks and rewards.

The standard permits a modified retrospective approach for the adoption. Under this approach entities will recognise transitional adjustments in retained earnings on the date of initial application (eg 1 July 2017), i.e. without restating the comparative period. They will only need to apply the new rules to contracts that are not completed as of the date of initial application.

AASB 15 is mandatory for financial years commencing on or after 1 January 2017. Management is currently assessing the impact of the new rules. At this stage, the group is not able to estimate the impact of the new rules on the group's financial statements. The group will make more detailed assessments of the impact over the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated 2015 $	Consolidated 2014 $
2. Revenue		
Revenue		
Interest revenue: other entities	28,524	58,933
Total revenue	28,524	58,933
Other Income and gains and losses		
Net gain/loss on the sale of assets	(1,220,589)	-
Net gain/loss on financial assets designated as fair value through profit and loss	(204,481)	(130,054)
	(1,425,070)	(130,054)
Other income	234	105
	(1,424,836)	(129,949)
3. Loss For The Year		
Expenses		
Employee Expenses		
Salary	453,175	457,280
Superannuation expense	18,577	18,439
Share based payments	-	26,314
Other payroll expenses	1,483	5,756
	473,235	507,789
Consulting and Legal		
Consulting fees	243,498	275,860
Legal fees	14,164	68,341
	257,662	344,201
4. Auditors' Remuneration		
Remuneration of the auditor of the parent entity for:		
Nexia Perth Audit Services	32,898	36,990
Remuneration of other auditors of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries		
Nexia Perth Audit Services	7,500	7,800
	40,398	44,790

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*

D L Breeze – *Executive Director*

K O Yap – *Non-Executive Director*

D Ambrosini – *Executive Director*

E H Tan – *Non-Executive Director of Advent*

	Consolidated 2015 $	Consolidated 2014 $
Short term employee benefits	315,000	315,000
Share based payments	-	-
	315,000	315,000

Included in trade creditors and payables are director fee accruals of $449,515 (30 June 2014: $221,219).

Director	Amount Owing 30 June 2015
David Breeze	42,974
Goh Hock	174,936
K O Yap	33,323
Deborah Ambrosini	77,055
Eng Hin Tan	99,978
Directors who have previously resigned	21,249
Balance owing	449,515

Key management personnel remuneration is disclosed in the remuneration report included in the directors report. Key management personnel shareholdings and option holdings are show below:

2015 Number of Unlisted Options Held by Key Management Personnel

Advent Energy Ltd

	Balance 1.7.2014	Granted as Compen-sation	Options Exercised	Net Change Other	Balance 30.6.2015	Total Vested 30.6.2015	Total Vested and Exercisable 30.6.2015	Total Unexercis-able 30.6.2015
H Goh	-	-	-	-	-	-	-	-
S K Yap	-	-	-	-	-	-	-	-
D Breeze	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
K O Yap	-	-	-	-	-	-	-	-
D Ambrosini	500,000	-	-	-	500,000	500,000	500,000	-
E H Tan	-	-	-	-	-	-	-	-

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FOR THE YEAR ENDED 30 JUNE 2015

5. Key Management Personnel Compensation (continued)

2014 Number of Unlisted Options Held by Key Management Personnel

Advent Energy Ltd

	Balance 1.7.2013	Granted as Compen-sation	Options Exercised	Net Change Other	Balance 30.6.2014	Total Vested 30.6.2014	Total Vested and Exercisable 30.6.2014	Total Unexercis-able 30.6.2014
H Goh	-	-	-	-	-	-	-	-
S K Yap	-	-	-	-	-	-	-	-
D Breeze	2,000,000	-	-	-	2,000,000	2,000,000	2,000,000	-
K O Yap	-	-	-	-	-	-	-	-
D Ambrosini	500,000	-	-	-	500,000	500,000	500,000	-
E H Tan	-	-	-	-	-	-	-	-

Shareholdings - MEC Resources

Number of Shares Held by Key Management Personnel

2015

	Balance 1.7.2014	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2015
H Goh	5,085,498	-	-	-	5,085,498
D L Breeze	13,183,654	-	-	2,008,929*	15,192,583
K O Yap	4,039,350	-	-	-	4,039,350
D Ambrosini	-	-	-	-	-
E H Tan	-	-	-	-	-

* During the year Mr Breeze participated in the Company's shareholder share purchase plan by converting $45,000 of prior year accrued director fees

2014

	Balance 1.7.2013	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2014
H Goh	5,085,498	-	-	-	5,085,498
D L Breeze	13,183,654	-	-	-	13,183,654
K O Yap	4,039,350	-	-	-	4,039,350
D Ambrosini	-	-	-	-	-
E H Tan	-	-	-	-	-

Shareholdings - Advent Energy

Number of Shares Held by Key Management Personnel

2015

	Balance 1.7.2014	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2015
H Goh	3,000,000	-	-	-	3,000,000
D L Breeze	2,000,000	-	-	-	2,000,000
K O Yap	-	-	-	-	-
D Ambrosini	-	-	-	-	-
E H Tan	2,000,000	-	-	-	2,000,000

2014

	Balance 1.7.2013	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2014
H Goh	3,000,000	-	-	-	3,000,000
D L Breeze	2,000,000	-	-	-	2,000,000
K O Yap	-	-	-	-	-
D Ambrosini	-	-	-	-	-
E H Tan	2,000,000	-	-	-	2,000,000

6. Earnings per share

		Consolidated	
		2015 $	2014 $
(a)	Reconciliation of Earnings to Profit or Loss		
	Net loss attributable to members of the parent	(1,767,525)	(1,371,185)
	Earnings used to calculate basic and diluted EPS	(1,767,525)	(1,371,185)
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	165,220,767	155,823,150
	Loss per share (cents per share)	(1.07)	(0.87)

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

Cash at bank and in hand	1,265,571	1,623,636

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	1,265,571	1,623,636

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

		Consolidated 2015 $	Consolidated 2014 $
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	(2,903,730)	(1,916,524)
	Prima facie tax payable on profit from ordinary activities before income tax at 30% (2014: 30%)	(871,119)	(574,957)
	Non deductible expenses	82,075	59,519
	Difference in tax rates of parent which is taxed at 25% (due to pooled development fund status)	40,966	44,164
	Adjustments recognised in the current year in relation to the carry forward losses of the prior year	-	(465,299)
	Unused tax losses not recognised as deferred tax assets	748,078	936,573
		-	-
	Weighted average rate of tax	-%	-%
(b)	The following deferred tax balances at 30% (2014: 30%) have not been recognised		
	Deferred Tax Assets:		
	Temporary differences	213,506	194,651
	Carry forward revenue losses	15,894,719	15,498,259
(c)	Unrecognised deferred liabilities		
	Fair value movement in investments	-	51,356
	Exploration Expenditure	8,714,066	9,128,298

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.

	Consolidated 2015 $	Consolidated 2014 $

9. Trade and other receivables

	2015 $	2014 $
Current		
Trade receivables	-	105,007
Net GST receivables	9,452	19,685
Other receivables	60,115	113,088
	69,567	237,780
Ageing of past due but not impaired		
60-90 days	-	-
90-120 days	-	-
120 days and over	-	105,007
Total	-	105,007

10. Other Assets

	2015 $	2014 $
Current		
Prepaid expenses	33,018	29,486
	33,018	29,486
Non-Current		
Other Assets	127,680	22,673
	127,680	22,673

11. Capitalised Exploration Costs

	2015 $	2014 $
Exploration expenditure capitalised		
Exploration and evaluation phases	29,024,515	30,405,290
	29,024,515	30,405,290
Reconciliation of movement during the year		
Opening balance at 1 July	30,405,290	30,337,044
Capitalised expenditure – EP325	249	3,154
Capitalised expenditure – PEP11	(1,384,508)	-
Capitalised expenditure – EP386	3,484	65,092
Balance at 30 June	29,024,515	30,405,290

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

11. Capitalised Exploration Costs (continued)

During the year the company sold its surplus offshore drilling items that remained from the 2010 PEP 11 drilling project. The items were specific to the New Seaclem 1 well and were of no commercial use to the company. Upon disposal of the items a loss of $1,220,589 was incurred.

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of natural gas. Capitalised costs amounting to $3,733 (2014: $168,246) have been included in cash flows from investing activities in the statement of cash flows.

The consolidated group has current commitments for its exploration permits of $4,647,500 (Note 27) over the next 12 months. To assist in meeting these commitments, the group is continually seeking and reviewing potential sources of both equity and debt funding. Advent is currently in negotiations with a number of parties on the terms of investment and management has confidence that a suitable outcome will be achieved however there is no certainty at this stage that those discussions will result in further funding being made available.

To manage the group's exploration commitments (which include Asset Energy completing 200km of 2D seismic within the PEP 11 area by 12 August 2015) and in connection with the group's ongoing commercial negotiations, Advent Energy's wholly owned subsidiary, Asset Energy, lodged an application in respect of Petroleum Exploration Permit 11 ("PEP11") with the National Offshore Petroleum Titles Administrator ("NOPTA") prior to 30 June 2015 to vary a condition of PEP11, suspend the years 2 and 3 work commitments and request a subsequent extension of the PEP11 permit term. NOPTA is currently assessing the application.

Asset Energy 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.

In addition to the 2D seismic commitment, Advent Energy is committed to drill an exploration well by the end of March 2016 for EP 386. These 2 commitments comprise the significant balance of $4,647,500.

The application to vary a condition of the title and suspend the years 2 and 3 work commitments was prepared following discussions with NOPTA, however a decision has not been received by the Company from NOPTA.

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

12. Financial Assets

	Consolidated 2015 $	2014 $
Current		
Loan receivable	44,867	44,867
Total	44,867	44,867
Loans receivable		
Loan to Grandbridge Limited (a)	44,867	44,867
Non-Current		
Loan receivable		
Loan to BPH Energy Ltd (b)	114,860	-
Fair Value through Profit and Loss Financial Assets		
Investment in Central Petroleum Ltd	-	400,000
Investment in BPH Energy Limited	100,562	114,927
Available for sale financial assets		
Investment in Molecular Discovery Systems Ltd	69,911	69,911
	285,333	584,839

(a) The loan to Grandbridge Limited is unsecured non-interest bearing and repayable on demand.

(b) On 22 October 2014 MEC Resources 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 are to be used for working capital. The loan agreement is convertible at the election of MEC Resources. 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. As at reporting date the closing balance of the loan including interest accrued to 30 June 2015 was $114,860 (2014: $nil).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

	Consolidated 2015 $	Consolidated 2014 $
13. Property, Plant and Equipment		
Plant and Equipment:		
At cost	21,133	21,133
Accumulated depreciation	(18,181)	(15,100)
Total Property, Plant and Equipment	2,952	6,033
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.		
Balance at the beginning of the year	6,033	9,243
Additions	-	1,225
Disposals		-
Depreciation expense	(3,081)	(4,435)
Carrying amount at the end of the year	2,952	6,033

14. Trade and other payables

	2015 $	2014 $
Trade payables	22,996	91,741
Sundry payables and accrued expenses	522,078	368,280
	545,074	460,021

15. Provisions

	2015 $	2014 $
Current		
Employee entitlements:		
Opening balance at 1 July	6,282	526
Increase/Decrease in provision	(1,109)	5,756
Balance at 30 June	5,173	6,282
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	87,016	88,125

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.

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 2015 $	Consolidated 2014 $
Non-Current		
Employee entitlements:		
Opening balance at 1 July	11,107	3,152
Increase/Decrease in provision	7,643	7,955
Balance at 30 June	18,750	11,107

16. Financial Liabilities

	2015 $	2014 $
Loans payable - Current		
Loan from BPH Energy Limited	41,935	41,935
Loan from Grandbridge Limited	654,685	551,234
Loans from other entities	1,358	1,358
	697,978	594,527

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

17. Issued Capital

	2015 $	2014 $
182,832,049 (2014: 155,823,150) fully paid ordinary shares	26,559,615	25,954,615
Less: Capital raising costs	(1,030,149)	(1,030,149)
Issued Capital	25,529,466	24,924,466

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

Ordinary Shares	2015 $	2014 $	2015 No	2014 No
At the beginning of reporting period	24,924,466	24,924,466	155,823,150	155,813,150
Shares issued during the year on conversion of options	605,000	-	27,008,899	10,000
At reporting date	25,529,466	24,924,466	182,832,049	155,823,150

Fully Paid Ordinary Share Capital

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

17. Issued Capital (continued)

(a) Options

There were 7,925,000 unlisted employee options on issue at the end of the year:

Advent Energy

Total number	Exercise price	Expiry date
2,500,000	$2.00	05 August 2015
2,500,000		

MEC Resources

Total number	Exercise price	Expiry date
150,000	$1.25	05 August 2015
250,000	$1.25	06 October 2015
250,000	$1.50	06 October 2015
100,000	$1.25	04 November 2015
325,000	$0.80	21 January 2016
1,000,000	$0.35	14 July 2015
950,000	$0.10	30 June 2018
2,400,000	$0.06	31 March 2020
5,425,000		

The market price of the company's ordinary shares at 30 June 2015 was 1.9 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.

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 2015 and 30 June 2014 are as follows:

	Consolidated	
	2015 $	2014 $
Cash and cash equivalents	1,265,571	1,623,636
Trade and other receivables	69,567	237,780
Trade and other payables	(1,243,052)	(460,021)
Working capital position	92,086	1,401,395

Refer to Note 1 for working capital and financial position note

18. Reserves

	Consolidated 2015 $	Consolidated 2014 $
Options Reserve	522,672	520,081

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

Reconciliation of movement

	2015 $	2014 $
Opening balance	520,081	493,767
Options charged during the year	2,591	26,314
Closing balance	522,672	520,081

19. Cash Flow Information

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

	2015 $	2014 $
Operating loss after income tax	(2,903,730)	(1,916,524)
Non-cash flows in profit:		
Depreciation	3,081	4,435
Revaluation on investments	204,481	130,054
Share based payments	1,220,589	26,314
Share of associated loss	47,591	-
Administration recharges	138,591	188,970
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and term receivables	63,206	(123,138)
(Increase)/decrease in other assets	(3,532)	5,871
Increase/(decrease) in trade payables and accruals	85,053	(681,060)
Increase/(decrease) in provisions	6,534	13,711
Net cash flow from operating activities	(1,138,136)	(2,351,367)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

20. 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 are reviewed biannually to market. The group holds a diversified portfolio with investments in biotech and oil & gas exploration to manage this risk.

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 2015 would decrease/increase $5,028 (2014: increase/decrease by $5,746) 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 economic entity'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:

2015	Effective Average Interest Rate Payable %	Floating Interest Rate $	Fixed Interest Rate $	Non-Interest Bearing $	Total $
Financial Assets					
Cash and cash equivalents	1.79%	1,265,571	-	-	1,265,571
Trade and other receivables	-	-	-	174,574	174,574
Financial Assets -current	-	-	-	44,867	44,867
Financial Assets- non-current	8.97%	-	114,860	170,473	285,333
		1,265,571	114,860	389,914	1,770,345
Financial Liabilities					
Trade and sundry Payables	-	-	-	545,074	545,074
Financial liabilities	-	-	-	697,978	697,978
		-	-	1,243,052	1,243,052

2014	Effective Average Interest Rate Payable %	Floating Interest Rate $	Fixed Interest Rate $	Non-Interest Bearing $	Total $
Financial Assets					
Cash and cash equivalents	2.46%	1,623,636	-	-	1,623,636
Trade and other receivables	-	-	-	237,780	237,780
Financial Assets -current	-	-	-	44,867	44,867
Financial Assets- non-current	-	-	-	584,839	584,839
		1,626,636	-	867,486	2,491,122
Financial Liabilities					
Trade and sundry Payables	-	-	-	460,021	460,021
Financial liabilities	-	-	-	594,527	594,527
		-	-	1,054,548	1,054,548

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

20. Financial Risk Management (continued)

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			
	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets				
Financial assets at fair value through profit or loss	100,562	100,562	514,928	514,928
Available for sale financial assets	69,911	69,911	69,911	69,911
Loans and receivables	334,301	334,301	282,647	282,647
	504,774	504,774	867,486	867,486
Financial Liabilities				
Other loans and amounts due	697,978	697,978	594,527	594,527
Other liabilities	545,074	545,074	460,021	460,021
	1,243,052	1,243,052	1,054,548	1,054,548

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	
	2015	**2014**
Change in profit		
– Increase in interest rate by 1%	12,655	16,236
– Decrease in interest rate by 0.5%	(6,328)	(8,118)

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 2015

	Carrying amount	Contractual cash flows: Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	545,074	(545,074)	-	(545,074)	-	-	-
Unsecured loans	697,978	(697,978)	-	(697,978)	-	-	-
	1,243,052	(1,243,052)	-	(1,243,052)	-	-	-

30 June 2014

	Carrying amount	Contractual cash flows: Total	2 months or less	2-12 months	1-2 years	2-5 years	More than 5 years
Financial liabilities							
Trade and other payables	460,021	(460,021)	-	(460,021)	-	-	-
Unsecured loans	594,527	(594,527)	-	(594,527)	-	-	-
	1,054,548	(1,054,548)	-	(1,054,548)	-	-	-

MEC Resources

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

20. Financial Risk Management (continued)

(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 2015

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
– Investments in listed entities	100,562	-	-	100,562
Available for sale financial assets				
– Investments in unlisted entities	-	-	69,911	69,911
Total	100,562	-	69,911	170,473

30 June 2014

	Level 1	Level 2	Level 3	Total
Financial assets at FVTPL				
– Investments in listed entities	514,928	-	-	514,928
Available for sale financial assets				
– Investments in unlisted entities	-	-	69,911	69,911
Total	514,928	-	69,911	584,839

Reconciliation of Level 1 fair value measurements of financial assets:

	2015	2014
	Investments in listed entities (Level 1)	Investments in listed entities (Level 1)
Opening balance	514,928	644,982
Add: Purchases	-	-
Total gains or loss in the profit and loss	(204,481)	(130,054)
Proceeds from sale of listed investments	(209,885)	-
Closing balance	100,562	514,928

During the year the consolidated group sold its investment in Central Petroleum Ltd.

Reconciliation of Level 3 fair value measurements of financial assets:

	2015 Available for sale (Level 3)	2014 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 2015 has been arrived at on the basis of a valuation performed at 30 June 2014 by an independent expert valuer to the company and reassessed by management at 30 June 2015. 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.

21. 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 Managing Director and his management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

The operating segments are identified by management based on their investment in exploration companies. Financial information of these investments is reported to the managing director and his management team on at least a monthly basis. Currently, management's focus is on the exploration program of Advent Energy project's PEP 11, EP 325 and EP 386, which is disclosed in Note 11.

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.

22. Events after the Balance Sheet Date

On the 18th August MEC Resources agreed to further extend its convertible loan facility with its investee company BPH Energy Ltd. The facility was extended from $200,000 to a maximum of $295,000. As at 30 June 2015 $114,859 had been drawn.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2015

23. 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	
	2015	**2014**
	$	**$**
(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	24,317,431	22,308,502
Advent Energy Ltd	7,000,000	7,000,000
Other Equity Instruments		
Listed Options		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	-	-
Unlisted Options		
Held as at the date of this report by key management personnel and their key management personnel-related entities in:		
MEC Resources Ltd	-	-
Advent Energy Ltd	2,500,000	2,500,000

(c) Related entities

A loan facility exists between Advent and its parent entity MEC, $3,600,000 (2014: $3,600,000). The loan is secured by a second 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 the 30 July 2015 MEC Resources signed a variation to their secured loan agreement with Advent Energy Ltd which varied the agreement to incorporate a fixed repayment date of 19 November 2017.

(d) Directors

The company has an agreement with Trandcorp Pty Limited on normal commercial terms procuring the services of David Breeze to provide product development services. $65,000 (2014: $65,000) was paid during the year.

24. Controlled Entities and Non-Controlling Interests

(a) Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
Parent Entity			**2015**	**2014**
MEC Resources Limited	Investment	Australia		
Subsidiaries of MEC Resources Ltd				
Advent Energy Limited	Oil and Gas exploration and development	Australia	44.29	44.29
Asset Energy Pty Ltd	Oil and Gas exploration and development	Australia	44.29	44.29
Onshore Energy Pty Ltd	Oil and Gas exploration and development	Australia	44.29	44.29

MEC owns 44.29% equity interest in Advent Energy and its subsidiaries and consequentially does not control more than half of the voting power of those shares. However, the majority of the Board of MEC is on the Board of Advent Energy and therefore has the ability to add and remove directors of Advent Energy and hence has control over the financial and operating policies of Advent Energy. Therefore Advent Energy is controlled by the Group and is consolidated in these financial statements.

(b) Non-Controlling Interests

Ownership interests and voting rights in Advent Energy and its subsidiaries, held by non-controlling interests make up 55.71%.

Summarised financial information of Advent Energy and its subsidiaries is as follows:

2015	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	2,393,824	27,644,300	4,948,139	-	1,463	(1,972,124)	(1,972,124)
	2,393,824	27,644,300	4,948,139	-	1,463	(1,972,124)	(1,972,124)
Asset Energy Pty Ltd	1,602	758,404	1,740,739	-	-	(21,859)	(21,859)
	1,602	758,404	1,740,739	-	-	(21,859)	(21,859)
Onshore Energy Pty Ltd	371	884,800	468,258	-	-	(68,094)	(68,094)
	371	884,800	468,258	-	-	(68,094)	(68,094)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

24. Controlled Entities and Non-Controlling Interests (continued)

2014	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Revenues	Loss for the Year	Total Comprehensive Loss for the Year
Advent Energy Ltd	2,260,430	29,428,155	1,026,463	3,600,000	12,338	(862,480)	(862,480)
	2,260,430	29,428,155	1,026,463	3,600,000	12,338	(862,480)	(862,480)
Asset Energy Pty Ltd	8,197	758,404	1,725,709	-	-	(80,712)	(80,712)
	8,197	758,404	1,725,709	-	-	(80,712)	(80,712)
Onshore Energy Pty Ltd	684	884,800	400,477	-	-	(46,561)	(46,561)
	684	884,800	400,477	-	-	(46,561)	(46,561)

25. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2015:

There were 7,925,000 unlisted employee options on issue at the end of the year:

Advent Energy Total number	Exercise price	Expiry date	Grant Date	Fair Value at grant date
2,500,000	$2.00	05 August 2015	05 August 2010	$0.1784
2,500,000				
MEC Resources				
150,000	$1.25	05 August 2015	05 August 2010	$0.3032
250,000	$1.25	06 October 2015	06 October 2010	$0.3011
250,000	$1.50	06 October 2015	06 October 2010	$0.2780
100,000	$1.25	04 November 2015	04 November 2010	$0.3255
325,000	$0.80	21 January 2016	21 January 2011	$0.1000
1,000,000	$0.35	14 July 2015	14 July 2011	$0.0498
950,000	$0.10	30 June 2018	1 July 2013	$0.1000
2,400,000	$0.06	30 March 2020	2 April 2015	$0.0032
5,425,000				

At balance date, nil MEC share options have been exercised (2014: 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, 2,400,000 options (2014: 1,050,000) were issued under the company's employee share option plan. The options were issued on 2 April 2015 and expire on 31 March 2020 with a strike price of $0.08. The vesting conditions are 1/3 vests after 12 months from the date of issue, a second third vests after 24 months from the date of issue and the remaining third vests after 36 months from the date of issue.

The fair value of the options granted is estimated as at the date of grant using a Black-Scholes model taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used.

Fair value at grant date	$0.003
Share price at grant date	$0.018
Exercise price	$0.08
Expected volatility	50%
Expected life	5 years
Expected dividends	Nil
Risk-free interest rate	5.00%
Valuation	$7,680

The total value of these options was $7,680 at the date that they were granted. No options were granted to Directors or key employees during the year ended 30 June 2015.

	MEC Resources Ltd			
	2015		**2014**	
	Number of Options	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
Outstanding at the beginning of the year	3,125,000	$0.549	2,908,333	$0.597
Granted	2,400,000	$0.080	1,050,000	$0.100
Exercised	-	-	(2,000)	$0.150
Expired / Cancelled	(100,000)	$0.100	(831,332)	$0.150
Outstanding at year-end	5,425,000	$0.350	3,125,000	$0.549
Exercisable at year-end	2,319,667	$0.686	2,075,000	$0.776

	Advent Energy Limited			
	2015		**2014**	
	Number of Options	**Weighted Average Exercise Price $**	**Number of Options**	**Weighted Average Exercise Price $**
Outstanding at the beginning of the year	2,500,000	$2.00	3,500,000	$2.00
Granted	-	-	500,000	$0.06
Exercised	-	-	-	-
Expired / Cancelled	-	-	(1,500,000)	$1.35
Outstanding at year-end	2,500,000	$2.00	2,500,000	$2.00
Exercisable at year-end	2,500,000	$2.00	2,500,000	$2.00

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2015

26. Contingent Liabilities

There were no contingent liabilities at reporting date.

27. Commitments

Capital Commitments

In order to maintain an interest in the exploration tenements in which the Company is involved, the Company 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	
	2015 $	2014 $
Work Program Commitments – Exploration permits		
Payable:		
Within one year	4,647,500	3,997,500
Greater than one year less than five years	15,875,000	16,525,000
Total	20,522,500	20,522,500

To manage the group's exploration commitments (which include Asset Energy completing 200km of 2D seismic within the PEP 11 area by 12 August 2015) and in connection with the group's ongoing commercial negotiations, Advent Energy's wholly owned subsidiary, Asset Energy, lodged an application in respect of Petroleum Exploration Permit 11 ("PEP11") with the National Offshore Petroleum Titles Administrator ("NOPTA") prior to 30 June 2015 to vary a condition of PEP11, suspend the years 2 and 3 work commitments and request a subsequent extension of the PEP11 permit term. NOPTA is currently assessing the application.

Asset Energy 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.

In addition to the 2D seismic commitment, Advent Energy is committed to drill an exploration well by the end of March 2016 for EP 386. These 2 commitments comprise the significant balance of $4,647,500.

28. Parent Entity Disclosures

Financial Position

	Consolidated	
	2015	**2014**
	$	**$**
Assets		
Current assets	1,152,184	2,010,855
Non-current assets	7,872,714	7,132,267
Total asset	9,024,898	9,143,122
Liabilities		
Current liabilities	442,610	334,415
Non-current liabilities	18,750	11,107
Total liabilities	461,360	345,522
Equity		
Issued Capital	25,529,466	24,924,466
Retained earnings	(17,425,408)	(16,583,755)
Reserves		
Option Reserve	459,480	456,889
Total equity	8,563,538	8,797,600
Financial Performance		
Profit/Loss for the year	(841,653)	(926,797)
Other comprehensive income	-	-
Total comprehensive income	(841,653)	(926,797)

DIRECTORS DECLARATION

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 33 to 71, 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 2015 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

D. Breeze.

David Breeze
Executive Director

Dated this 27th Day of August 2015

INDEPENDENT AUDITOR'S REPORT

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Independent auditor's report to the members of MEC Resources Limited

Report on the financial report

We have audited the accompanying financial report of MEC Resources Limited, which comprises the consolidated statement of financial position as at 30 June 2015, and 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 ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Nexia Perth Audit Services Pty Ltd
ACN 145 447 105
Level 3, 88 William Street, Perth WA 6000
GPO Box 2570, Perth WA 6001
p +61 8 9463 2463, f +61 8 9463 2499
audit@nexiaperth.com.au, www.nexia.com.au

INDEPENDENT AUDITOR'S REPORT

nexia australia

Independence
In conducting our audit, 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 MEC Resources Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

Opinion

In our opinion:

(a) the financial report of MEC Resources Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and

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

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Emphasis of Matter

We draw attention to Note 11 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.

Report on the remuneration report
We have audited the remuneration report included in pages 15 to 18 of the directors' report for the year ended 30 June 2015. 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.

Opinion
In our opinion, the remuneration report of MEC Resources Limited for the year ended 30 June 2015, complies with Section 300A of the *Corporations Act 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani
Director

Perth, 27 August 2015

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 13 August 2015.

1. Substantial Shareholder

The name of the substantial shareholder listed in the company's register is:

Shareholder	Shares	%
Grandbridge Ltd	9,747,362	5.33
Robert Healy	9,429,608	5.16

2. Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	482	209,657	0.11
1,001 – 5,000	480	1,459,110	0.80
5,001 – 10,000	493	4,348,640	2.38
10,001 – 100,000	1146	40,506,715	22.16
100,001 and over	286	136,307,927	74.55
	2,887	182,832,049	100.00

3. (a) Distribution of Unlisted Optionholders

Range of Holding	Optionholders	Number of Options	%
MEC Resources			
10,001 to 100,000	2	100,000	1.80
100,001 and over	6	5,325,000	98.20
	8	5,425,000	100.00

Range of Holding	Optionholders	Number of Options	%
Advent Energy			
100,001 and over	2	2,500,000	100.00
	2	2,500,000	100.00

4. Voting Rights - Shares

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

5. Voting Rights - Options

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

ADDITIONAL SECURITIES EXCHANGE INFORMATION

6. Restricted Securities

Shares - Number of Shares free of escrow		182,832,049
	Total Shares	182,832,049

Options

Number of Employee options not subject to Escrow (Not Listed)		5,425,000
	Total Options	5,425,000

7. Tenements and Interests Held

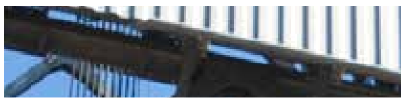
Permit Details	Interest Held	Entity
Petroleum Exploration Permit 386	100%	Advent Energy
Petroleum Exploration Permit 11	85%	Advent Energy
Retention Licence 1	100%	Advent Energy

8. Twenty Largest Shareholders (as at 13 August 2015)

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
Grandbridge Ltd	9,747,362	5.33
Healy Robert Anthony	9,429,608	5.16
Breeze David	6,722,081	3.68
HSBC Custody Nom (Aust) Ltd	6,586,291	3.60
Trandcorp Pty Ltd	5,586,133	3.06
Citicorp Nom Pty Ltd	5,487,561	3.00
Pado John Thomas	2,502,870	1.37
Semerdziev Ianaki	2,224,426	1.22
Trandcorp Pty Ltd	2,194,726	1.20
Ming Ding Gui	2,000,000	1.09
Gunthorpe Andrew John	2,000,000	1.09
Ware Colin Victor	1,746,429	0.96
Lam Terry Lam and Chan Pui Sze	1,700,000	0.93
Cullen Laurence Gerrard	1,197,177	0.65
Batts Colin Alexander	1,155,429	0.63
Edward Yi Financial Services Pty Ltd	1,140,429	0.62
Birch Lawrence Milton and Birch Jean Frances	1,115,587	0.61
Barter Ross Coventry	1,101,250	0.60
Sun Lin	1,069,643	0.59
Searle Grant Raymond	1,068,000	0.58
	65,775,002	35.98

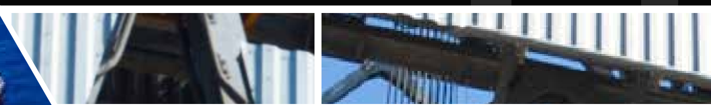




ABN 44 113 900 020

14 View Street
North Perth WA 6006

Telephone: (08) 9328 8477
Facsimile: (08) 9328 8733
admin@mecresources.com.au
www.mecresources.com.au



Photographs and images used throughout this report do not depict assets of the company unless expressly indicated otherwise.

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