

## Appendix 4E - Preliminary Final Report

Name of Entity	MEC Resources Ltd
ABN	44 113 900 020
Financial Year Ended	Year ended 30 June 2019
Previous Corresponding Reporting Period	Year ended 30 June 2018

### Results for announcement to the market

\$A'000

Revenues and other income from ordinary activities	Up	24%	to	107
Loss from ordinary activities after tax attributable to members	Down	86%	to	(1,339)
Net loss for the financial year attributable to members	Down	86%	To	(1,339)
<b>Dividends (distributions)</b>	<b>Amount per security</b>	<b>Franked amount per security</b>		
Final dividend	nil	Nil		
Interim dividend				
Previous corresponding period	n/a	n/a		

### Other notes to the condensed financial statements

	Current period	Previous corresponding Period
<b>Ratios</b>		
<b>Profit before tax / revenue</b>		
Consolidated profit (loss) from ordinary activities before tax as a percentage of revenue	(1330.01)%	(11404.75)%
<b>Profit after tax / equity interests</b>		
Consolidated net profit (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(17.49)%	(34.14)%

	Current period	Previous corresponding Period
<b>NTA Backing</b>		
Net tangible asset backing per ordinary security	(0.002) cps	(0.001) cps

	Current period	Previous corresponding period
<b>Statement of Retained Earnings</b>		
Balance at beginning of the year	(36,601,776)	(26,775,213)
Net loss attributable to members of the parent entity	(1,339,670)	(9,826,563)
Issue of shares by subsidiary		
Total available for appropriation	(37,941,446)	(36,601,776)
Dividends paid	-	-
Balance at year end	(37,941,446)	(36,601,776)

## Commentary on Results

The loss attributable to the owners of the Consolidated Group after tax for the year was \$1,339,670 (2018: Loss \$9,826,563).

The net assets of the Consolidated Group have decreased by \$876,926 to \$9,677,873 at 30 June 2019.

### Developments during the year included:

#### MEC Resources Ltd

- On 6 July 2018, MEC Resources increased its investment into Advent Energy Ltd from 47% to 50% after the conversion of loans owing to it following the funding of the 2D seismic campaign which was completed in April 2018.
- On 24 July 2018 MEC Resources announced that Mr Michael Sandy was appointed as the new Chair of MEC while Mr Andrew Bald and Mr Matthew Battrick joined the board as Non – Executive Directors.
- On 31 July 2018 the Company held a general meeting to consider the conditional Farmin agreement between Asset Energy Pty Ltd and RL Energy Pty Ltd, agreed in May 2018. The Notice of Meeting included an Independent Experts Report ("IER") which was obtained to assess the fairness and reasonableness of the transaction to MEC shareholders. The transaction was independently verified as fair and reasonable. The meeting was held on 31 July 2018 with 61% of the shareholders who voted at the meeting voting in favour of the resolution.
- Ms Deborah Ambrosini was appointed Managing Director of the Company on 5 October 2018.
- On 6 March 2019, MEC Resources increased its investment into Advent Energy Ltd from 50% to 53% after the conversion of loans owing to it following the funding of the 2D seismic campaign which was completed in April 2018.
- On 18 March 2019, the Company advised that the Innovation Investment Committee of Innovation and Science Australia approved MEC's application to vary its approved investment plan pursuant to section 17(6) of the Pooled Development Funds Act 1992 (the PDF Act). The variation to MEC's approved investment plan now includes the following:  
*In addition to investments focussed on resource exploration, MEC will make investments into existing and start-up enterprises that have demonstrated technology and/or services that may have application not limited to the resources sector. This may include the information technology, financial and power and energy sectors.*
- Ms Ambrosini resigned as the Managing Director and Company Secretary of the Company and its subsidiaries in March 2019.
- On 9 April 2019 MEC Resources announced a placement of 341,868,046 shares to sophisticated and professional investors at 0.005c per share to raise \$1,700,000 before costs.
- On 14 May 2019 MEC Resources announced that it had raised \$363,558 before costs after completing its Non- Renounceable Entitlements issue.

## **Advent Energy Limited**

- Advent Energy published its Environmental Performance Report for the PEP11 2D Baleen HR Seismic Survey which was undertaken in April 2018. The report confirmed that procedures were undertaken in accordance with the requirements of the *Environmental Protection and Biodiversity Conservation (EPBC) Act* Policy Statement 2.1 describing the interaction between offshore seismic exploration and whales. No non-compliance events were documented in relation to marine fauna interactions, mitigation or source operational procedures.
- The conditional farmin agreement to PEP11 between Asset Energy Pty Ltd and RL Energy Pty Ltd was registered as a dealing by the National Offshore Petroleum Titles Administrator in September 2018. This registration was a condition precedent to the farmin agreement.
- On 28 September 2018, the Company advised of the signing of a binding term sheet for the majority sale of Onshore Energy Pty Ltd ("OE") to Bonaparte Petroleum Pty Ltd ("BP"). OE is a wholly owned subsidiary of Advent Energy. As consideration for the purchase of the OE Shares, BP must submit suitable documentation to the Western Australian Department of Mines, Industry Regulation and Safety (DMIRS) for the drilling of one or more exploration wells, decommissioning of two existing wells, and for the acquisition of at least 50 km new 2D seismic data within EP386, do all things necessary to cause OE to achieve the drilling and seismic, and fund 100% of the costs of the above workscope. Further key terms of the agreement include Advent Energy receiving 10% of the fully paid ordinary shares in BP Advent to maintain back-in rights of up to 20% to future production titles pending reserves milestones being achieved.
- In May 2019, the Company advised that Onshore Energy had been successful in its application to WA DMIRS for funding from their Exploration Incentive Scheme (EIS). The Government co-funded exploration drilling grant provides \$200,000 to OE on the basis of 1:1 co-funding of drilling expenditure. OE's application described a new well targeting an as-yet untested formation exhibiting live oil shows in the Waggon Creek area, within EP386 in the onshore Bonaparte Basin, east Kimberley region. The co-funded drilling project must be completed before 30 June 2020 to ensure the EIS funding. OE has already submitted various operational plans to DMIRS for consideration with respect to the planned drilling.

For further commentary please refer to the attached audited annual report

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## Compliance Statement

1. This report has been prepared under accounting policies, which comply with accounting standards as defined in the Corporations Act or other standards acceptable to the ASX.
2. This report, and the accounts upon which the report is based (refer below), use the same accounting policies.
3. This report does give a true and fair view of the matters disclosed.
4. This report is based on accounts to which one of the following applies.

☒

The accounts have been audited

☐

The accounts are in the process of being audited or subject to review.

☐

The accounts have been subject to review.

☐

The accounts have not yet been audited.

Sign here: *Michael Sandy* ..... Date: 31 August 2019  
Non- Executive Chairman

Print name: Mike Sandy



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MEC RESOURCES LTD

ACN 113 900 020  
ABN 44 113 900 020

Annual Financial Report 2019

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# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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## Directors

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

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

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

Deborah Ambrosini – Managing Director (resigned 22 March 2019)

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

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

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

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

M Battrick- Non-Executive Director (resigned as alternate for Mr D Moore 24 July 2018)

## Registered Office

Level 7  
92 Pitt St  
Sydney NSW 2000

## Principal Business Address

Suite 2, Level 3  
1111 Hay Street  
West Perth WA 6005  
Telephone: (08) 9245 6187  
Facsimile: (08) 9200 6193  
Website: [www.mecresources.com.au](http://www.mecresources.com.au)  
E-mail: [admin@mecresources.com.au](mailto:admin@mecresources.com.au)

## Auditor

Moore Stephens  
Level 15  
Exchange Plaza  
2 The Esplanade  
PERTH WA 6000

## Share Registry

Boardroom Pty Ltd  
Level 12  
225 George Street  
Sydney NSW 2000

## Australian Securities Exchange Listing

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

## Australian Business Number

44 113 900 020

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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The directors of MEC Resources Ltd ("MEC" or the "Company") present their report on the Company for the financial year ended 30 June 2019.

## Directors

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

M Sandy (appointed 24 July 2018)  
A Bald (appointed 24 July 2018)  
M Battrick (appointed 24 July 2018)  
H Goh (resigned 24 July 2018)  
K O Yap (resigned 24 July 2018)  
H Yu (resigned 24 July 2018)  
D Moore (resigned 24 July 2018)  
D Ambrosini (resigned 22 March 2019)

## Company Secretary

Andrew Bald was appointed as Company Secretary on 29 April 2019 and is also a director of the company.

## Principal Activities

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

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

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

### Advent Energy Ltd - Oil and Gas

MEC has a controlling interest in the unlisted energy explorer Advent Energy Ltd ("Advent") of 53.00%.

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

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

## Operating Results

The loss attributable to the owners of the Consolidated Group after tax for the year was \$1,339,670 (2018: Loss \$9,826,563).



# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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## 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 Group have decreased by \$876,926 to \$9,677,873 at 30 June 2019.

## Significant Changes in State of Affairs

### MEC Resources Ltd

- On 6 July 2018, MEC Resources increased its investment into Advent Energy Ltd from 47% to 50% after the conversion of loans owing to it following the funding of the 2D seismic campaign which was completed in April 2018.
- On 24 July 2018 MEC Resources announced that Mr Michael Sandy was appointed as the new Chair of MEC while Mr Andrew Bald and Mr Matthew Battrick joined the board as Non – Executive Directors.
- On 31 July 2018 the Company held a general meeting to consider the conditional Farmin agreement between Asset Energy Pty Ltd and RL Energy Pty Ltd, agreed in May 2018. The Notice of Meeting included an Independent Experts Report ("IER") which was obtained to assess the fairness and reasonableness of the transaction to MEC shareholders. The transaction was independently verified as fair and reasonable. The meeting was held on 31 July 2018 with 61% of the shareholders who voted at the meeting voting in favour of the resolution.
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- Ms Ambrosini resigned as the Managing Director and Company Secretary of the Company and its subsidiaries in March 2019.
- On 9 April 2019 MEC Resources announced a placement of 341,868,046 shares to sophisticated and professional investors at 0.005c per share to raise \$1,700,000 before costs.
- On 14 May 2019 MEC Resources announced that it had raised \$363,558 before costs after completing its Non- Renounceable Entitlements issue.

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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## Advent Energy Limited

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- The conditional farmin agreement to PEP11 between Asset Energy Pty Ltd and RL Energy Pty Ltd was registered as a dealing by the National Offshore Petroleum Titles Administrator in September 2018. This registration was a condition precedent to the farmin agreement.
- On 28 September 2018, the Company advised of the signing of a binding term sheet for the majority sale of Onshore Energy Pty Ltd ("OE") to Bonaparte Petroleum Pty Ltd ("BP"). OE is a wholly owned subsidiary of Advent Energy. As consideration for the purchase of the OE Shares, BP must submit suitable documentation to the Western Australian Department of Mines, Industry Regulation and Safety (DMIRS) for the drilling of one or more exploration wells, decommissioning of two existing wells, and for the acquisition of at least 50 km new 2D seismic data within EP386, do all things necessary to cause OE to achieve the drilling and seismic, and fund 100% of the costs of the above workscope. Further key terms of the agreement include Advent Energy receiving 10% of the fully paid ordinary shares in BP Advent to maintain back-in rights of up to 20% to future production titles pending reserves milestones being achieved.
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## After Balance Date Events

- On 22nd July 2019, the Company announced that it had placed 160,000,000 fully paid ordinary shares in the Company raising a total of \$800,000 to sophisticated investors.
- On 6th August 2019 the Company announced it had placed an additional 43,660,640 Shortfall Shares for a combination of cash (23,300,000 Shares for \$116,500) and in lieu of payment to Creditors (20,360,640 shares for a total of \$101,803).
- On 12th August 2019 the Board of MEC Resources announced that it had reached a settlement of the various legal disputes between MEC Resources and BPH Energy Limited, Grandbridge Limited, Trandcorp Pty Ltd and David Breeze.  
The terms of settlement are recorded in a deed of settlement, to which MEC's 53%-owned subsidiary Advent Energy Pty Ltd is also a party.  
The directors of MEC Resources have agreed to the settlement to resolve the continual disputes which have impeded the progress of both MEC Resources and Advent Energy over the period since November 2016, and the resultant series of expensive and value-destructive legal actions.

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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As a result of the settlement, both companies should now be free to pursue commercial activities intended to generate value for shareholders.

## Material terms of the settlement are:

- All legal actions between the various parties to the settlement are discontinued.
  - Changes in the Board of Advent Energy: Matthew Battrick and Tobias Foster to resign, Board of Advent Energy going forward to consist of Stephen Kelemen, David Breeze, Steve James, Tony Huston and Tom Fontaine.
  - Two-year standstill on action by MEC Resources to interfere with the Board composition or management of Advent Energy.
  - One-year standstill on disposal of the shares in Advent Energy held by MEC Resources, except by in-specie distribution to shareholders of MEC Resources. MEC Resources to propose and support in-specie distribution of its shareholding in Advent Energy to MEC Resources shareholders (subject to approval by MEC Resources shareholders, ASX and ASIC) if requested by Advent Energy.
  - Loan of \$3.6 million owed by Advent Energy to MEC Resources to be placed on limited-recourse basis – recoverable only by conversion to shares of Advent Energy one month prior to commencement of drilling of a well within the PEP-11 permit area, at 80% of 5-day VWAP.
  - The settlement will have a positive net impact on the net asset position of the Group.
- 
- On 14<sup>th</sup> August 2019, the Company announced that the timetable for placing the balance of the non-renounceable entitlements issue shares had expired on the 10<sup>th</sup> August 2019 and that the Company received additional applications for a total of 21,019,960 shares with a value of \$105,100.

## Future Developments

The company is actively reviewing new opportunities to invest in private and/or public, listed and/or unlisted Australian companies.

## Information on Directors

### **M Sandy (appointed 24 July 2018)**

*Non-Executive Chairman – Age 66*

Shares held in MEC – nil

Shares held in Advent – nil

Listed Options held – nil

Unlisted Options held MEC – nil

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

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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

## **A Bald (appointed 24 July 2018)**

*Non-Executive Director – Age 55*

Shares held in MEC– 5,418,096

Shares held in Advent – nil

Listed Options held – nil

Unlisted Options held MEC – nil

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

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

## **M Battrick (appointed 24 July 2018)**

*Non-Executive Director – Age 59*

Shares held in MEC– nil

Shares held in Advent – nil

Listed Options held – nil

Unlisted Options held MEC – nil

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

During this tenure, he managed the capital raising of over A\$30million, and successfully delivered a strategic shift in business direction with the support of the Board and major shareholders. Previous appointments include Pancontinental Oil & Gas (General Manager), ENI Australia and Mobil Exploration & Production Australia. We welcome Mr Battrick's assistance in leading Advent Energy's strategic review

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

## **D Ambrosini (resigned 22 March 2019)**

*Executive Director and Company Secretary – Age 45*

Shares held – nil

Listed options – nil

Unlisted Options held in MEC – nil

Unlisted Options held in Advent – nil

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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

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

Please refer to the 30 June 2018 annual report for information on resigned directors.

## Remuneration Report (Audited)

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

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

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

- M Sandy – Non-Executive Chairman (appointed 24 July 2018)
- A Bald – Non-Executive Director (appointed 24 July 2018)
- M Battrock – Non-Executive Director (appointed 24 July 2018)
- D Moore – Non-Executive Director (resigned 24 July 2018)
- K O Yap – Non-Executive Director (resigned 24 July 2018)
- H Yu – Non-Executive Director (resigned 24 July 2018)
- H Goh – Non-Executive Chairman (resigned 24 July 2018)
- D Ambrosini – Managing Director and Company Secretary (resigned 22 March 2019)
- S Kelemen – Non-Executive Director of Advent (appointed 8 February 2018)
- T Foster – Non-Executive Director of Advent (appointed 27 March 2019)
- H Goh – Non-Executive Chairman of Advent (resigned 26 Mar 2019)
- D Hoff – Non-Executive Director of Advent (resigned 07 Feb 2019)

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

## Remuneration Policy

The remuneration policy of MEC Resources Ltd has been designed to align director and executive objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives as determined by the Board and/or shareholders. The remuneration report, as contained in the 2018 financial accounts was adopted at the Company's 2018 annual general meeting. Although a total of 38% (representing 14 of the 84 shareholders who voted) of the total votes were against the adoption of this report, the Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executive and directors to run and manage the economic entity, as well as create goal congruence between the directors, executives and shareholders. Remuneration for both Executive and Non-Executive directors has not increased since company inception. Although remuneration is reviewed annually against local market levels, the Board believes this course of action to be appropriate.

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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Director fees have accrued at an agreed rate of \$48,000 per annum since 1<sup>st</sup> January 2019.

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

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

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

## Remuneration philosophy

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

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

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

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

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

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

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

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

## Compensation Practices

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

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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

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

## Employment contracts of directors

The 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 2019

2019

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Bonus	Non-cash benefit	Other	Superannuation
D Ambrosini	185,184	-	-	-	10,728
M Sandy	24,000	-	-	-	-
A Bald	24,000	-	-	-	-
M Battrick	71,767	-	-	-	-
S Keleman	1	-	-	-	-
T Foster	185,154	-	-	-	13,397
D Moore	-	-	-	-	-
D Hoff	-	-	-	-	-
H Goh	-	-	-	-	-
K O Yap	-	-	-	-	-

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related	Compensation relating to options
	Other	Shares	Options	\$	%	%
D Ambrosini	-	-	-	195,912	-	-
M Sandy	-	-	-	24,000	-	-
A Bald	-	-	-	24,000	-	-
M Battrick	-	-	-	71,767	-	-
S Kelemen	-	-	-	1	-	-

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

T Foster	-	65,282	-	263,833	-	-
D Moore	-	-	-	-	-	-
D Hoff	-	-	-	-	-	-
H Goh	-	-	-	-	-	-
K O Yap	-	-	-	-	-	-

## 2018

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Bonus	Non-cash benefit	Other	Superannuation
H Goh	2	-	-	-	-
K O Yap	1	-	-	-	-
D Ambrosini	132,869	-	-	-	3,990
H Yu	1	-	-	-	-
D Moore	1	-	-	-	-
D Hoff	1	-	-	-	-
S Kelemen	-	-	-	-	-
G Channon	-	-	-	-	-
M Sandy	-	-	-	-	-
A Bald	-	-	-	-	-
M Battrock	94,029	-	-	-	-

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related	Compensation relating to options
	Other	Shares	Options	\$	%	%
H Goh	-	-	-	2	-	-
K O Yap	-	-	-	1	-	-
D Ambrosini	-	-	-	136,859	-	-
H Yu	-	-	-	1	-	-
D Moore	-	-	-	1	-	-
D Hoff	-	-	-	1	-	-
S Kelemen	-	-	-	-	-	-
G Channon	-	-	-	-	-	-
M Sandy	-	-	-	-	-	-
A Bald	-	-	-	-	-	-
M Battrock	-	-	-	94,028	-	-



# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

Directors of MEC Resources began accruing their fees again at an amount of \$48,000 per annum from 1 January 2019. Directors of Advent Energy have agreed to reduce their Director fees to the nominal amount of \$1. Director fees had previously been accrued at an agreed rate.

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

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

### Shareholdings - MEC Resources

#### Number of Shares Held by Key Management Personnel

2019

	Balance 1.7.2018	Received as Compensation	Options Exercised	Net Change Other *	Balance 30.6.2019
M Sandy	-	-	-	-	-
A Bald	2,709,048	-	-	2,709,048	5,418,096
M Battrick	-	-	-	-	-
D Ambrosini	-	-	-	-	-
S Kelemen	-	-	-	-	-
T Foster	-	3,626,778	-	-	3,626,778
H Goh	9,086,191	-	-	(9,086,191)	-
K O Yap	10,909,552	-	-	(10,909,552)	-
H Yu	67,500	-	-	(67,500)	-
D Moore	666,667	-	-	(666,667)	-

### Shareholdings - Advent Energy

#### Number of Shares Held by Key Management Personnel

2019

	Balance 1.7.2018	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2019
M Sandy	-	-	-	-	-
A Bald	-	-	-	-	-
H Goh	3,000,000	-	-	(3,000,000)	-
D Hoff	-	-	-	-	-
M Battrick	-	-	-	-	-
D Ambrosini	-	-	-	-	-
S Kelemen	-	-	-	-	-
T Foster	-	-	-	-	-

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

Board payments may be made up to a level of \$250,000 per annum. Payments for Director fees are to be made up to \$25,000 per annum per director and \$50,000 per annum for the Chairman. Remuneration to the directors of Advent is included in the tables above. Directors of MEC Resources

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

began accruing their fees again at an amount of \$48,000 per annum from 1 January 2019. Directors of Advent Energy have agreed to reduce their Director fees to the nominal amount of \$1. Director fees had previously been accrued at an agreed rate.

Tobias Foster agreed in 2018 with the Company to amend his employment contract, with a sum of \$112,083 owing to Mr Foster. By agreement between the parties, the Company allotted 3,626,778 shares at a price of \$0.018 per share to Mr Foster and withheld \$46,801 payable to the Australian Taxation Office.

## 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.

	2015	2016	2017	2018	2019
Revenue	28,524	23,984	61,061	86,162	107,131
Net Profit/Loss	(2,903,730)	(1,300,678)	(1,030,674)	(19,914,101)	(1,339,670)
Share price at Year end	\$0.019	\$0.029	\$0.03	\$0.017	\$0.005
Loss per share	(\$0.01)	(\$0.06)	(\$0.05)	(\$0.03)	\$(0.004)

End of remuneration report.

## Meetings of Directors

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

Directors' Meetings		
	Number eligible to attend	Number attended
M Sandy	10	10
A Bald	10	10
D Ambrosini	7	7
M Battrick	10	10

## 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:

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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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 \$20,100.

- M Sandy
- A Bald
- M Battrick
- D Ambrosini
- H Goh
- S Kelemen
- D Hoff

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 Ltd

Grant Date	Date of Expiry	Exercise Price	Number Under Option
02/04/2016	31/03/2020	\$0.06	2,400,000
22/06/2018	22/06/2020	\$0.04	59,114,729
06/07/2018	06/07/2020	\$0.04	9,696,476
17/07/2018	17/07/2020	\$0.04	1,110,110

During the year ended 30 June 2019, nil ordinary shares of MEC Resources Ltd were issued on the exercise of options granted under the MEC Resources Ltd Incentive Option Scheme (2018 nil). No amounts are unpaid on any of the shares.

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

## Proceedings on Behalf of Company

The Company had a number of legal disputes pending as at the 30<sup>th</sup> June 2019 however these have all subsequently been resolved.

As at the date of this Annual Report, the Company has no legal proceedings afoot.

## Environmental Issues

Advent Energy published its Environmental Performance Report for the PEP11 2D Baleen HR Seismic Survey which was undertaken in April 2018. The report confirmed that procedures were undertaken in accordance with the requirements of the *Environmental Protection and Biodiversity Conservation* (EPBC) Act Policy Statement 2.1 describing the interaction between offshore seismic exploration and whales. No non-compliance events were documented in relation to marine fauna interactions, mitigation or source operational procedures.

Onshore Energy has complied with the requirement to submit these operational documents to DMIRS.

# Directors' Report

MEC Resources Ltd and its controlled subsidiaries

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## 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 2019 (2018: Nil).

## Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2019 has been received and can be found on page 15.

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



Michael J Sandy

Chairman

Dated this 31st Day of August 2019

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

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2019, there have been:

- a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit, and
- b) no contraventions of any applicable code of professional conduct in relation to the audit.



NEIL PACE  
PARTNER



MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth this 31<sup>st</sup> day of August 2019.

# Corporate Governance Statement

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

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

A copy of the Company's Corporate Governance Statement can be found on the Company's website at [www.mecresources.com.au](http://www.mecresources.com.au)

# Statement of Profit or Loss and Other Comprehensive Income

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

		Consolidated	
	Note	2019 \$	2018 \$
Revenue	2	107,131	86,162
Other Income	2	339,347	123,025
Administration expenses		(126,397)	(154,481)
Consulting and legal expenses	3	(713,194)	(749,168)
Depreciation and amortisation expense		(819)	(815)
Employee expenses	3	(418,692)	(256,104)
Insurance expenses		(28,227)	(23,293)
Interest expenses		(3,228)	(2,230)
Exploration expenditure write off		(399,278)	(18,694,026)
Service Fees		-	-
Travelling expenses		(20,333)	(35,946)
Other expenses		(164,381)	(207,225)
Operating loss before income tax		(1,428,071)	(19,914,101)
Income tax expense	8	-	-
Operating loss for the year		(1,428,071)	(19,914,101)
Other Comprehensive Income			
Items that will never be reclassified to profit or loss		-	-
Items that are or may be reclassified to profit or loss		-	-
Total Comprehensive loss for the period		(1,428,071)	(19,914,101)
Loss attributable to non-controlling interest		(88,401)	(10,087,538)
Loss attributable to owners of the company		(1,339,670)	(9,826,563)
Total Comprehensive loss attributable to non-controlling interest		(88,401)	(10,087,538)
Total Comprehensive loss attributable to the owners of the company		(1,339,670)	(9,826,563)
Earnings Per Share –			
Basic and diluted earnings per share (cents per share)	6	(0.04)	(0.30)

The accompanying notes form part of these financial statements.

# Statement of Financial Position

## as at 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

		Consolidated	
	Note	2019 \$	2018 \$
<b>Current Assets</b>			
Cash and cash equivalents	7	350,634	978,497
Trade and other receivables	9	63,968	291,336
Financial assets	13	563,147	465,127
Other current assets	10	18,615	29,474
<b>Total Current Assets</b>		996,364	1,764,434
<b>Non-Current Assets</b>			
Intangible assets	11	22,674	22,674
Evaluation and exploration expenditure	12	10,562,578	10,917,759
Financial assets	13	84,275	84,275
Property, plant & equipment	14	4,154	1,326
<b>Total Non-Current Assets</b>		10,673,681	11,026,034
<b>Total Assets</b>		11,670,045	12,790,468
<b>Current Liabilities</b>			
Trade and other payables	15	1,077,758	1,290,079
Provisions	16	122,436	132,168
Financial liabilities	17	791,978	813,422
<b>Total Current Liabilities</b>		1,992,172	2,235,669
<b>Total Liabilities</b>		1,992,172	2,235,669
<b>Net Assets</b>		<b>9,677,873</b>	<b>10,554,799</b>
<b>Equity</b>			
Issued capital	18	29,336,134	28,784,989
Reserves	19	16,268,145	16,268,145
Accumulated losses		(37,941,446)	(36,601,776)
Total Equity Attributable to Owners		7,662,833	8,451,358
Non-controlling Interest		2,015,040	2,103,441
<b>Total Equity</b>		<b>9,677,873</b>	<b>10,554,799</b>

The accompanying notes form part of these financial statements.



# Statement of Changes in Equity

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

	Issued Share Capital \$	Accumulated losses \$	Option Reserve \$	Contribution Reserve \$	Total attributable to owners \$	Non- controlling Interest \$	Total Equity \$
<b>Balance at 1 July 2017</b>	26,812,441	(26,775,213)	530,818	15,316,219	15,884,265	12,580,189	28,464,454
Loss attributable to members of the consolidated entity	-	(9,826,563)	-	-	(9,826,563)	(10,087,538)	(19,914,101)
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	(9,826,563)	-	-	(9,826,563)	(10,087,538)	(19,914,101)
Transactions with owners in their capacity as owners	-	-	-	420,460	420,460	(389,210)	31,250
Shares issued during the period (note 18)	1,972,548	-	-	-	1,972,548	-	1,972,548
Options issued during the financial period	-	-	648	-	648	-	648
<b>Balance at 30 June 2018</b>	28,784,989	(36,601,776)	531,466	15,736,679	8,451,358	2,103,441	10,554,799
<b>Balance at 1 July 2018</b>	28,784,989	(36,601,776)	531,466	15,736,679	8,451,358	2,103,441	10,554,799
Loss attributable to members of the consolidated entity	-	(1,339,670)	-	-	(1,339,670)	(88,401)	(1,428,071)
Other comprehensive income	-	-	-	-	-	-	-
<b>Total comprehensive income</b>	-	(1,339,670)	-	-	(1,339,670)	(88,401)	(1,428,071)
Transactions with owners in their capacity as owners	-	-	-	-	-	-	-
Transactions with non-controlling interest	-	-	-	-	-	-	-
Shares issued during the period (note 18)	553,095	-	-	-	553,095	-	553,095
Capital raising costs	(1,950)	-	-	-	(1,950)	-	(1,950)
Options issued during the financial period	-	-	-	-	-	-	-
<b>Balance at 30 June 2019</b>	29,336,134	(37,941,446)	531,466	15,736,679	7,662,833	2,015,040	9,677,873

The accompanying notes form part of these financial statements.

# Statement of Cash Flows

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

	Note	Consolidated	
		2019 \$	2018 \$
<b>Cash Flows from Operating Activities</b>			
Payments to suppliers and employees		(1,591,219)	(1,065,932)
Receipts from Research and Development incentives and other operating activities		556,126	-
Interest received		9,112	6,682
<b>Net cash used in operating activities</b>	<b>20</b>	<b>(1,025,981)</b>	<b>(1,059,250)</b>
<b>Cash Flows from Investing Activities</b>			
Payments for property plant and equipment		(3,647)	(841)
Payment for deferred expenditure – (net of reimbursements)		(44,098)	(560,838)
<b>Net cash (used in)/provided by investing activities</b>		<b>(47,745)</b>	<b>(561,679)</b>
<b>Cash Flows from Financing Activities</b>			
Proceeds from share issue		445,863	1,998,906
<b>Net cash provided by financing activities</b>		<b>445,863</b>	<b>1,998,906</b>
<i>Net increase/(decrease) in Cash Held</i>		<i>(627,863)</i>	<i>377,896</i>
<i>Cash at the Beginning of the Financial Year</i>		<i>978,497</i>	<i>600,601</i>
<b>Cash at the End of the Financial Year</b>	<b>7</b>	<b>350,634</b>	<b>978,497</b>

The accompanying notes form part of these financial statements.

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies

### Corporate Information

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

MEC Resources Ltd is a public listed company on the ASX, which is incorporated and domiciled in Australia. The financial report was authorised for issue on 31 August 2019 by the Board of Directors.

### Basis of Preparation

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

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

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

### Compliance with IFRS

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

### Financial Position/Going Concern Basis of Preparation

The Consolidated Group has incurred losses for the year ended 30 June 2019 of \$1,428,071 (2018: \$19,914,101) and has a net cash outflow from operating activities of \$1,025,981 (2018: \$1,059,250).

The Consolidated Group has a working capital deficit of \$1,455,135 (Note 18b) as at 30 June 2019 (2018: \$833,668) which includes cash assets of \$350,634 as at 30 June 2019 (2018: \$978,497), trade receivables of \$63,968 (2018: \$291,336), trade creditors and other payables of \$1,077,760 (2018: \$1,290,079) and financial liabilities of \$791,978 (2018: \$813,422)

Included in trade creditors and payables are director fee accruals of \$711,832 (2018: \$711,332). The directors have reviewed their expenditure and commitments for the Consolidated Group and have implemented methods of costs reduction. The directors as a part of their cash monitoring, have voluntarily suspended cash payments for their director's fees prior to and as at the date of this report to conserve cash resources of the Company. Subsequent to year end the directors have agreed to settle the amount of fees owing to directors, largely by the issue of ordinary shares in the company with a small component in cash. In January 2019, the Directors of MEC Resources agreed to begin accruing their Director fees at an amount of \$48,000 per annum. The Directors of Advent Energy have agreed to reduce their fees to \$1 per annum.

The Group's subsidiary Advent Energy Ltd, has minimum work associated commitments for its exploration permits under the terms of its petroleum titles in order to maintain tenure. These are subject of applications for variation that remain outstanding at the time of reporting. Advent's subsidiary, Onshore Energy, has well abandonment liabilities that are the subject of a Direction in relation to the timing of actions before March 2020. Advent is continually seeking and reviewing potential sources of both

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## Statement of Significant Accounting Policies (continued)

equity and debt funding, as well as liaison with the relevant authorities regarding the planning and execution of remediation operations. At the time of reporting, document preparation and submission was underway.

A marketing campaign is also underway to attract new investors and/or joint venture partners. Management has confidence that a suitable outcome will be achieved however there is no certainty at this stage that this will result in further funding being made available. The Company notes the progression of the Farmin by RL Energy to PEP11 potentially enables an expedited exploration work program in that title, for the benefit of the joint venture, Company and shareholders.

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

Based on the cash flow forecast, which include the monitoring of operational costs, the directors are satisfied that, the going concern basis of preparation is appropriate.

The financial report has been prepared on a going concern basis, which assumes continuity of normal business activities and the settlement of liabilities in the ordinary course of business. For further disclosure regarding these amounts please refer to Note 17.

For further disclosure concerning the exploration permits and expenditure commitments of the Group and for the uncertainty regarding the ability of the Group to realise the associated capitalised exploration expenditure please refer to Note 12.

## Accounting Policies

### (a) Principles of Consolidation

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

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

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies (continued)

### (a) Principles of Consolidation (continued)

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

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

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

### (b) Business Combinations

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

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

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

### (c) Income Tax

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies (continued)

### (c) Income Tax (continued)

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

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

### (d) Property, plant and equipment

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

#### Plant and equipment

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

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

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

#### Depreciation

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

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

### (e) Exploration and Development Expenditure

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies (continued)

### (e) Exploration and Development Expenditure (continued)

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of profit or loss and other comprehensive income. When

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

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

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

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

### (f) 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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies (continued)

### (f) Impairment of Assets (continued)

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.

### (g) 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.

### (h) 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).

### (i) 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.

### (j) Trade and other payables

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



# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies (continued)

### (k) Share based payments

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

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

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

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

### (l) Share based payments

options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

### (m) 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.

### (n) 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.

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies (continued)

### (n) Foreign Currency (continued)

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

### (o) Comparative Figures

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

### (p) 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.

### (q) 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.

### (r) Critical Accounting Estimates and Judgements

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

### (s) Application of New and Revised Accounting Standards

#### ***Standards and Interpretations applicable to the 30 June 2019 financial year***

In the year ended 30 June 2019, the Directors have reviewed all the new and revised Standards and Interpretations issued by the AASB that are relevant to the Company and effective for reporting periods beginning on or after 1 July 2018.

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies (continued)

### *Standards and Interpretations applicable to the 30 June 2019 financial year (continued)*

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

#### **AASB 15**

##### **Revenue Recognition**

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

#### **AASB 9**

##### **Non-derivative financial liabilities**

###### *Interest bearing liabilities*

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

###### *Trade and other payables*

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

##### **Non-derivative financial assets**

###### *i. Classification*

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

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

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

recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies (continued)

### Non-derivative financial assets (continued)

#### ii. Measurement

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

#### Debt instruments

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

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

#### Equity Investments

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

#### i. Impairment

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 1. Statement of Significant Accounting Policies (continued)

### Non-derivative financial assets (continued)

whether there has been a significant increase in credit risk. For trade receivables, contract assets and lease receivables, the Group applies the simplified approach permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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

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

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

### **AASB 16 Leases**

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 2. Revenue

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Revenue</b>		
Interest revenue	9,110	6,682
Interest revenue: other entities	98,019	79,481
<b>Total revenue</b>	<b>107,131</b>	<b>86,162</b>

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Other Income and gains and losses</b>		
Net gain/(loss) on financial assets designated as fair value through profit and loss	-	(28,732)
	-	-
Other income – inc R&D tax rebate	339,347	151,757
	<b>339,347</b>	<b>123,025</b>

## 3. Loss for The Year

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
<b>Expenses</b>		
<b>Employee Expenses</b>		
Salary	315,518	231,908
Superannuation expense	30,980	23,548
Other payroll expenses	72,195	648
	<b>418,692</b>	<b>256,104</b>
<b>Consulting and Legal</b>		
Consulting fees	343,413	496,575
Legal fees	369,782	252,593
	<b>713,194</b>	<b>749,168</b>
Exploration expenditure write off	399,278	18,694,026

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 4. Auditors' Remuneration

	Consolidated	
	2019 \$	2018 \$
Remuneration of the auditor of the parent entity for:		
- auditing or reviewing the financial report of the parent		
Moore Stephens	18,000	15,000
HLB Mann Judd	-	8,500
Remuneration of the auditor of subsidiaries for:		
- auditing or reviewing the financial report of subsidiaries		
Moore Stephens	7,000	5,000
	25,000	28,500

## 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

M Sandy – Non-Executive Chairman (appointed 24 July 2018)  
A Bald – Non-Executive Director (appointed 24 July 2018)  
M Batrick – Non-Executive Director (appointed 24 July 2018)  
D Moore – Non-Executive Director (resigned 24 July 2018)  
K O Yap – Non-Executive Director (resigned 24 July 2018)  
H Yu – Non- Executive Director (resigned 24 July 2018)  
H Goh – Non-Executive Chairman (resigned 24 July 2018)  
D Ambrosini – Managing Director and Company Secretary (resigned 22 March 2019)  
S Kelemen – Non-Executive Director of Advent (appointed 8 February 2018)  
T Foster – Non-Executive Director of Advent (appointed 27 March 2019)  
H Goh – Non-Executive Chairman of Advent (resigned 26 Mar 2019)  
D Hoff – Non-Executive Director of Advent (resigned 07 Feb 2019)

	Consolidated	
	2019 \$	2018 \$
Short term employee benefits	514,231	136,859
Share based payments	65,282	-
	579,513	136,859

Included in consolidated trade creditors and payables are director fee accruals of \$711,833 (30 June 2018: \$711,332).

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 5. Key Management Personnel Compensation (continued)

Director	MEC Resources Ltd Amount Owing 30 June 2019	Advent Energy Ltd Amount Owing 30 June 2019	Consolidated Amount Owing 30 June 2019 \$
Andrew Bald	24,000	-	24,000
Mike Sandy	24,000	-	24,000
M Battrick	24,000	-	24,000
Previous Directors	155,371	484,462	639,833
Balance owing	227,371	484,462	711,833

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

## 6. Earnings per share

		Consolidated	
		2019	2018
		\$	\$
(a)	Reconciliation of Earnings to Profit or Loss		
	Net loss attributable to members of the parent	(1,339,670)	(9,826,563)
	Earnings used to calculate basic and diluted EPS	(1,339,670)	(9,826,563)
(b)	Weighted average number of ordinary shares outstanding during the year used in calculating basic and diluted EPS	347,776,879	252,234,601
	Loss per share (cents per share)	(0.04)	(0.30)
	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.		

### Consolidated

2019  
\$

2018  
\$

## 7. Cash and cash equivalents

Cash at bank and in hand	350,634	978,497
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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	350,634	978,497
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# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 8. Income Tax Expense

	<u>Consolidated</u>	
	2019	2018
		(Note 2)
	\$	\$
<b>a. The components of tax expense comprise:</b>		
Current tax	-	-
Deferred tax	-	-
	-	-
<b>b. The prima facie tax benefit on loss from ordinary activities before income tax is reconciled to the income tax as follows:</b>		
Prima facie tax benefit on loss from ordinary activities before income tax at 27.5% (2018: 27.5%)	(392,720)	(5,476,378)
Add/(less) tax effect of:		
- Revenue losses and other deferred tax balances not recognised	299,628	242,482
- Other non-deductible items	182,362	5,218,222
- Other non-assessable items	(89,270)	15,674
Income tax expense	-	-
<b>c. Deferred tax recognised at 27.5% (2018: 27.5%) (Note 1):</b>		
<b>Deferred tax liabilities:</b>		
Exploration expenditure	2,759,158	3,008,536
<b>Deferred tax assets:</b>		
Carry forward revenue losses	2,759,158	3,008,536
<b>Net deferred tax</b>	-	-
<b>d. Unrecognised deferred tax assets at 27.5% (2018: 27.5%) (Note 1):</b>		
Carry forward revenue losses	12,557,795	12,830,829
Carry forward capital losses	2,228,144	2,228,144
Other	43,681	163,244
	14,829,621	15,222,217

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 8. Income Tax Expense (continued)

The tax benefits of the above deferred tax assets will only be obtained if:

- (a) the company derives future assessable income of a nature and of an amount sufficient to enable the benefits to be utilised;
- (b) the company continues to comply with the conditions for deductibility imposed by law; and
- (c) no changes in income tax legislation adversely affect the company in utilising the benefits.

**Note 1** - the corporate tax rate for eligible companies will reduce from 30% to 25% by 30 June 2022 providing certain turnover thresholds and other criteria are met. Deferred tax assets and liabilities are required to be measured at the tax rate that is expected to apply in the future income year when the asset is realised or the liability is settled. The Directors have determined that the deferred tax balances be measured at the tax rates stated.

### **Note 2 - Comparatives**

The 2018 comparatives have been updated to be consistent with the 2019 format. The current and deferred tax position has not changed.

## 9. Trade and other receivables

	Consolidated	
	2019	2018
	\$	\$
<b>CURRENT</b>		
Trade receivables	-	137,600
Net GST receivables	23,968	53,736
Other receivables – RD accrual	40,000	100,000
	63,968	291,336

	Consolidated	
	2019	2018
	\$	\$
<b>Ageing of past due but not impaired</b>		
30-60 days	-	115,094
60-90 days	-	-
120 days and over	-	22,506
Total	-	137,600

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 10. Other Assets

	Consolidated	
	2019	2018
	\$	\$
<b>Current</b>		
Prepaid expenses	18,615	29,474
	<u>18,615</u>	<u>29,474</u>

## 11. Intangibles

	Consolidated	
	2019	2018
	\$	\$
Intangibles – Contacts database	22,674	22,674
	<u>22,674</u>	<u>22,674</u>

## 12. Capitalised Exploration Costs

Exploration expenditure capitalised		
Exploration and evaluation phases	10,562,578	10,917,759
	<u>10,562,578</u>	<u>10,917,759</u>
Reconciliation of movement during the year		
Opening balance at 1 July	10,917,759	29,050,947
Capitalised expenditure – PEP 11	40,843	548,221
Expenditure written off – PEP 11	(399,278)	(18,694,026)
Capitalised expenditure – EP 386	3,254	12,617
Balance at 30 June	<u>10,562,578</u>	<u>10,917,759</u>

Recoverability of the carrying amount of exploration assets is dependent on the successful exploration and sale of natural gas. Capitalised costs amounting to \$44,098 (2018: \$560,838) have been included in cash flows from investing activities in the statement of cash flows. Receipts for the sale of capitalised items of \$nil (2018: \$nil) have been included in cash flows from investing activities in the statement of cash flows.

The capitalised costs were assessed for impairment at 30 June 2018 by reference to the value implied for PEP 11 by virtue of the recent Farmin agreement entered into with RL Energy Pty Ltd. Based on this assessment the asset was considered to be impaired and an adjustment to the current fair value was booked at 30 June 2018. No further impairment was considered necessary at 30 June 2019.

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 12. Capitalised Exploration Costs (continued)

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

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

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

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

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

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

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 13. Financial Assets

	Consolidated	
	2019 \$	2018 \$
<b>Current</b>		
Loans receivable	563,147	465,127
Total	563,147	465,127
<b>Loans receivable</b>		
Loan to Grandbridge Limited (a)	44,867	44,867
Loan to BPH Energy Ltd (b)	518,280	420,260
Fair Value through Profit and Loss Financial Assets		
Investment in BPH Energy Limited	14,365	14,364
Available for sale financial assets		
Investment in Molecular Discovery Systems Ltd	69,910	69,911
	84,275	84,275

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

(b) On 22 October 2014 MEC entered into a convertible loan agreement with BPH Energy Ltd for a maximum \$200,000.

Under the terms of the settlement announced on 12<sup>th</sup> August 2019, the loans included in the above note will no longer be recoverable.

## 14. Property, Plant and Equipment

	Consolidated	
	2019 \$	2018 \$
Plant and Equipment:		
At cost	26,031	22,385
Accumulated depreciation	(21,877)	(21,059)
Total Property, Plant and Equipment	4,154	1,326

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 14. Property, Plant and Equipment (continued)

	Consolidated	
	2019	2018
	\$	\$
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.		
Consolidated Entity:		
Balance at the beginning of the year	1,326	1,295
Additions	3,646	846
Depreciation expense	(818)	(815)
Carrying amount at the end of the year	4,154	1,326

## 15. Trade and other payables

	Consolidated	
	2019	2018
	\$	\$
Trade Payables	286,297	230,473
Sundry payables and accrued expenses	791,461	1,059,606
	1,077,758	1,290,079

## 16. Provisions

	Consolidated	
	2019	2018
	\$	\$
<u>Current</u>		
Employee entitlements:		
Opening balance at 1 July	50,325	31,368
Increase/Decrease in provision	(9,733)	18,957
Balance at 30 June	40,592	50,325
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	122,436	132,168

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 16. Provisions (continued)

### Provision for Employee Entitlements

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

### Provision for Share Sale Agreement

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

## 17. Financial Liabilities

	Consolidated	
	2019 \$	2018 \$
Loans payable- Current Liabilities (a)		
Loan from BPH Energy Limited	41,935	41,935
Loan from Grandbridge Limited	748,685	770,129
Loans from other entities	1,358	1,358
	<u>791,978</u>	<u>813,422</u>

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

Under the terms of the settlement announced on 12th August 2019, the loans included in the above note will no longer be payable.

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 18. Issued Capital

	<b>Consolidated</b>	
	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>
414,578,376 (2018: 331,060,460) fully paid ordinary shares	30,378,303	29,825,208
Less: Capital raising costs	(1,042,169)	(1,040,219)
<b>Issued Capital</b>	<b>29,336,134</b>	<b>28,784,989</b>

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

	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
	<b>\$</b>	<b>\$</b>	<b>No</b>	<b>No</b>
<b>Ordinary Shares</b>				
At the beginning of reporting period	28,784,988	26,812,441	331,060,460	223,123,227
Shares issued – SPP	363,560	539,500	72,710,330	30,851,978
Shares issued – Rights Issue	84,254	1,064,065	4,958,586	59,114,729
Shares issued as settlement of employment liabilities	65,282	-	3,626,778	-
Shares issued as payment of consulting fees	40,000	-	2,222,222	-
Placement shares issued	-	379,053	-	17,970,526
Capital Raising cost	(1,950)	(10,070)	-	-
<b>At reporting date</b>	<b>29,336,134</b>	<b>28,784,988</b>	<b>414,578,376</b>	<b>331,060,460</b>

### Fully Paid Ordinary Share Capital

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

### (a) Options

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

<b>Number under option</b>	<b>Exercise Price</b>	<b>Expiry Date</b>
<b>MEC Resources</b>		
2,400,000	\$0.06	31 March 2020
59,114,729	\$0.04	22 June 2020
9,696,476	\$0.04	6 July 2020
1,110,110	\$0.04	17 July 2020
<b>72,322,315</b>		

The market price of the company's ordinary shares at 30 June 2019 was 0.5 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.



# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 18. Issued Capital (continued)

### (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 2019 and 30 June 2018 are as follows:

	Consolidated	
	2019	2018
	\$	\$
Cash and cash equivalents	350,634	978,497
Trade and other receivables	63,968	291,336
Trade Payables and financial liabilities	(1,869,737)	(2,103,501)
Working capital position	(1,455,135)	(833,668)

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

	Consolidated	
	2019	2018
	\$	\$
Options Reserve (a)	531,466	531,466
Contributions Reserve (b)	15,736,679	15,736,679
	16,268,145	16,268,145

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

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 19. Reserves (continued)

### Option Reserve

#### Reconciliation of movement

	2019	2018
	\$	\$
Opening balance	531,466	530,818
Options charged during the year	-	648
Closing balance	531,466	531,466

### Contribution Reserve

#### Reconciliation of movement

	2019	2018
	\$	\$
Opening balance	15,736,679	15,316,219
Reclassification of NCI to Contribution reserve	-	420,460
Closing balance	15,736,679	15,736,679

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 20. Cash Flow Information

	Consolidated	
	2019	2018
	\$	\$
<b>(a) Reconciliation of Cash Flow from Operations with Profit after income tax</b>		
Operating loss after income tax	(1,428,071)	(19,914,101)
Non-cash flows in profit:		
Depreciation	819	815
Revaluation on investments	-	28,732
Share based payments	105,282	5,600
Exploration expenditure written off	399,278	18,694,026
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	129,349	(164,757)
(Increase)/decrease in other assets	10,859	(82,172)
Increase/(decrease) in trade payables and accruals	(233,765)	353,645
Increase/(decrease) in provisions	(9,732)	18,962
<b>Net cash flow from operating activities</b>	<b>(1,025,981)</b>	<b>(1,059,250)</b>

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 21. Financial Risk Management

### (a) Financial Risk Management

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

#### Financial Risk Exposures and Management

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

##### Interest rate risk

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

##### Liquidity risk

The Group manages liquidity risk by monitoring forecast cash flows.

##### Credit risk

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

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

##### Equity Price Risk

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

##### 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 2019 would decrease/increase \$718 (2018: increase/decrease by \$718) 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

#### Interest rate risk

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 21. Financial Risk Management (continued)

2019	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Fixed Interest Rate \$	Non- Interest Bearing \$	Total \$
<b>Financial Assets</b>					
Cash and cash equivalents	1.25%	350,634	-	-	350,634
Trade and other receivables	-	-	-	63,968	63,968
Financial Assets – current	20.79%	-	518,280	44,867	563,147
Financial Assets - non-current	-	-	-	84,275	84,275
		350,634	518,280	193,110	1,062,024
<b>Financial Liabilities</b>					
Trade and sundry Payables	-	-	-	1,077,758	1,077,758
Financial liabilities	-	-	-	791,977	791,977
		-	-	1,869,735	1,869,735

2018	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Fixed Interest Rate \$	Non- Interest Bearing \$	Total \$
<b>Financial Assets</b>					
Cash and cash equivalents	1.25%	978,497	-	-	978,497
Trade and other receivables	-	-	-	291,336	291,336
Financial Assets – current	20.79%	-	420,260	44,867	465,127
Financial Assets - non-current	-	-	-	84,275	84,275
		978,497	420,260	420,478	1,819,235
<b>Financial Liabilities</b>					
Trade and sundry Payables	-	-	-	1,290,079	1,290,079
Financial liabilities	-	-	-	813,422	813,422
		-	-	2,103,501	2,103,501

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 21. Financial Risk Management (continued)

### 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

	2019		2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>				
Financial assets at fair value through profit or loss	139,275	139,275	14,365	14,365
Available for sale financial assets	-	-	69,911	69,911
Loans and receivables	627,115	627,115	756,463	756,463
	<u>711,391</u>	<u>711,391</u>	<u>840,739</u>	<u>840,739</u>
<b>Financial Liabilities</b>				
Other loans and amounts due	791,977	791,977	813,422	813,422
Other liabilities	1,077,758	1,077,758	1,290,079	1,290,079
	<u>1,869,735</u>	<u>1,869,735</u>	<u>2,103,501</u>	<u>2,103,501</u>

### 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.

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 21. Financial Risk Management (continued)

### *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:

	<b>Consolidated Group</b>	
	<b>2019</b>	<b>2018</b>
<b>Change in profit</b>		
— Increase in interest rate by 1%	3,506	9,785
— Decrease in interest rate by 0.5%	(1,753)	(4,892)

### **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 2019**

	<b>Contractual cash flows</b>						
	<b>Carrying amount</b>	<b>Total</b>	<b>2 months or less</b>	<b>2-12 months</b>	<b>1-2 years</b>	<b>2-5 years</b>	<b>More than 5 years</b>
<b>Financial liabilities</b>							
Trade and other payables	1,077,758	(1,077,758)	-	(1,077,758)	-	-	-
Unsecured loans	791,977	(791,977)	-	-	-	(791,977)	-
	1,869,735	1,869,735	-	(1,077,758)	-	(791,977)	-

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 21. Financial Risk Management (continued)

30 June 2018

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

### (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 2019

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

30 June 2018

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



# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

## 21. Financial Risk Management (continued)

Reconciliation of Level 1 fair value measurements of financial assets:

	<b>2019</b>	<b>2018</b>
	<b>Investments in listed entities (Level 1)</b>	<b>Investments in listed entities (Level 1)</b>
Opening balance	14,365	43,097
Add: Purchases	-	-
Total gains or loss in the profit and loss	-	(28,732)
Proceeds from sale of listed investments	-	-
Closing balance	14,365	14,365

Reconciliation of Level 3 fair value measurements of financial assets:

	<b>2019</b>	<b>2018</b>
	<b>Available for sale (Level 3)</b>	<b>Available for sale (Level 3)</b>
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 2019 has been arrived at on the basis of a valuation performed at 30 June 2015 by an independent expert valuer to the company and reassessed by management at 30 June 2019. 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.

## 22. Operating Segment

### Identification of reportable segments

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 22. Operating Segment (continued)

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

The Group operates predominantly in one industry, namely investments in energy and mineral resources. These activities are predominantly in Australia.

### Accounting policies and inter-segment transactions

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

## 23. Events after the Balance Sheet Date

- On 22nd July 2019, the Company announced that it had placed 160,000,000 fully paid ordinary shares in the Company raising a total of \$800,000 to sophisticated investors.
- On 6th August 2019 the Company announced it had placed an additional 43,660,640 Shortfall Shares for a combination of cash (23,300,000 Shares for \$116,500) and in lieu of payment to Creditors (20,360,640 shares for a total of \$101,803).
- On 12th August 2019 the Board of MEC Resources announced that it had reached a settlement of the various legal disputes between MEC Resources and BPH Energy Limited, Grandbridge Limited, Trandcorp Pty Ltd and David Breeze.  
The terms of settlement are recorded in a deed of settlement, to which MEC's 53%-owned subsidiary Advent Energy Pty Ltd is also a party.  
The directors of MEC Resources have agreed to the settlement to resolve the continual disputes which have impeded the progress of both MEC Resources and Advent Energy over the period since November 2016, and the resultant series of expensive and value-destructive legal actions. As a result of the settlement, both companies should now be free to pursue commercial activities intended to generate value for shareholders.

### Material terms of the settlement are:

- All legal actions between the various parties to the settlement are discontinued.
- Changes in the Board of Advent Energy: Matthew Battrick and Tobias Foster to resign, Board of Advent Energy going forward to consist of Stephen Kelemen, David Breeze, Steve James, Tony Huston and Tom Fontaine.
- Two-year standstill on action by MEC Resources to interfere with the Board composition or management of Advent Energy.
- One-year standstill on disposal of the shares in Advent Energy held by MEC Resources, except by in-specie distribution to shareholders of MEC Resources. MEC Resources to propose and support in-specie distribution of its shareholding in Advent Energy to MEC Resources shareholders (subject to approval by MEC Resources shareholders, ASX and ASIC) if requested by Advent Energy.
- Loan of \$3.6 million owed by Advent Energy to MEC Resources to be placed on limited-recourse basis – recoverable only by conversion to shares of Advent Energy one month prior to commencement of drilling of a well within the PEP-11 permit area, at 80% of 5-day VWAP.
- The settlement will have a positive net impact on the net asset position of the Group.

# Notes to the Financial Statements

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MEC Resources Ltd and its controlled subsidiaries

## 23. Events after the Balance Sheet Date (continued)

- On 14<sup>th</sup> August 2019, the Company announced that the timetable for placing the balance of the non-renounceable entitlements issue shares had expired on the 10<sup>th</sup> August 2019 and that the Company received additional applications for a total of 21,019,960 shares with a value of \$105,100.

## 24. Related Party Transactions

### (a) Directors' Remuneration

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

	Parent	
	2019	2018
	\$	\$
<hr/>		
<b>(b) Directors' Equity Holdings</b>		
<i>Ordinary Shares</i>		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	5,418,096	20,729,910
Advent Energy Ltd	-	3,000,000
<hr/>		
<i>Unlisted Options</i>		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	4,259,017	4,259,017
Advent Energy Ltd	-	-
<hr/>		

### (c) Related entities

A loan facility exists between Advent and its parent entity MEC, \$3,600,000 (2018: \$3,600,000). The loan was secured by a charge over all of the assets and rights of Advent Energy including but not limited to, all real and personal property, choses in action, goodwill and called but unpaid nominal and premium capital. Under the terms of the settlement dated 12<sup>th</sup> August 2019, the loan is now unsecured and non-recourse but is convertible to shares should Advent secure a drilling commitment on PEP11.

### (d) Directors

Advent Energy has a consulting agreement with Matthew Battrick and \$47,767 (2018: \$94,029) was paid during the year.

# Notes to the Financial Statements

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MEC Resources Ltd and its controlled subsidiaries

## 25. Controlled Entities and Non-Controlling Interests

### (a) Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
			2019	2018
<b>Parent Entity</b>				
MEC Resources Limited	Investment	Australia		
<b>Subsidiaries of MEC Resources Ltd</b>				
Advent Energy Limited	Oil and Gas exploration and development	Australia	53.00	47.06
Asset Energy Pty Ltd	Oil and Gas exploration and development	Australia	53.00	47.06
Onshore Energy Pty Ltd	Oil and Gas exploration and development	Australia	53.00	47.06

MEC owns 53.00% equity interest in Advent and its subsidiaries and consequentially has control of more than half of the voting power of those shares. Two members of the Board of MEC are on the Board of Advent and therefore has the ability to partake in decisions to add and remove directors of Advent. MEC directors abstain from Board decisions in Advent where a conflict exists, and the two independent Directors have the decision-making power. MEC has control over the financial and operating policies of Advent. Therefore, Advent is controlled by the Group and is consolidated in these financial statements as at 30 June 2019.

### (b) Non-Controlling Interests

Ownership interests and voting rights in Advent and its subsidiaries, held by non-controlling interests make up 47.00%.

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

	Current Assets	Non-Current Assets	Current Liabilities	Non-Current Liabilities	Revenues	Loss for the Year	Total Comprehensive Loss for the Year
<b>2019</b>							
Advent Energy Ltd	3,044,498	8,959,489	1,536,410	3,600,000	3,071	(133,503)	(133,503)
	3,044,498	8,959,489	1,536,410	3,600,000	3,071	(133,503)	(133,503)
Asset Energy Pty Ltd	39,527	1,355,038	2,426,846	-	-	(23,584)	(23,584)
	39,527	1,355,038	2,426,846	-	-	(23,584)	(23,584)
Onshore Energy Pty Ltd	262	884,800	682,276	-	-	(31,000)	(31,000)
	262	884,800	682,276	-	-	(31,000)	(31,000)

# Notes to the Financial Statements

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MEC Resources Ltd and its controlled subsidiaries

## 26. Controlled Entities and Non-Controlling Interests (continued)

### (b) Non-Controlling Interests (continued)

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

## 27. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2019:

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

Number under option MEC Resources	Exercise Price	Expiry Date
<u>2,400,000</u>	\$0.06	31 March 2020
<u>2,400,000</u>		

At balance date, nil MEC share options have been exercised (2018: nil).

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

During the year, nil options (2018: Nil) were issued under the company's employee share option plan.

# Notes to the Financial Statements

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MEC Resources Ltd and its controlled subsidiaries

## 27. Share-Based Payments (continued)

	MEC Resources Ltd			
	2019		2018	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	61,514,729	\$0.041	3,350,000	\$0.071
Granted	10,807,586	0.040	59,114,729	\$0.040
Exercised	-	-	-	-
Expired/ Cancelled	-	-	(950,000)	\$0.10
Outstanding at year-end	72,322,315	\$0.040	61,514,729	\$0.041
Exercisable at year-end	72,322,315	\$0.040	61,514,729	\$0.041

## 28. Contingent Liabilities

Pursuant to the Legal Settlement dated 12<sup>th</sup> August 2019, the Company has no contingent liabilities.

## 29. Commitments

### Capital Commitments

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

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

	Consolidated	
	2019 \$	2018 \$
Work Program Commitments – Exploration permits Payable:		
Within one year	12,750,000	-
Greater than one year less than five years	5,475,000	18,225,000
Total	18,225,000	18,225,000

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

# Notes to the Financial Statements

for the year ended 30 June 2019

MEC Resources Ltd and its controlled subsidiaries

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## 30. Parent Entity Disclosures

### Financial Position

	2019	2018
	\$	\$
<b>Assets</b>		
Current assets	5,198,025	6,317,487
Non-current assets	4,726,061	3,849,077
Total asset	9,924,086	10,166,564
<b>Liabilities</b>		
Current liabilities	879,473	832,421
Non-current liabilities	-	-
Total liabilities	879,473	832,421
<b>Equity</b>		
Issued Capital	29,362,415	28,810,990
Retained earnings	(20,760,076)	(19,919,121)
<u>Reserves</u>		
Option Reserve	442,274	442,274
Total equity	9,044,613	9,334,143

### Financial Performance

	2019	2018
	\$	\$
Loss for the year	(840,706)	(881,008)
Other comprehensive income	-	-
Total comprehensive income	(840,706)	(881,008)

# Directors Declaration

MEC Resources Ltd and its controlled subsidiaries

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The directors of the company declare that:

1. the financial statements and notes, as set out on pages 18 to 57, 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 2019 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.

.....  
Mike Sandy

Executive Director

Dated this 31st Day of August 2019



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

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## REPORT ON THE AUDIT OF THE FINANCIAL REPORT

### Opinion

We have audited the financial report of MEC Resources Limited (the Company) and its controlled entities (the "Group"), which comprises the consolidated statement of financial position as at 30 June 2019, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion:

- c) the accompanying financial report of the Group is in accordance with the *Corporations Act 2001*, including:
  - i. giving a true and fair view of the Group's financial position as at 30 June 2019 and of its financial performance for the year then ended; and
  - ii. complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

### Basis for Opinion

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

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

### Independence

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

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

### Material Uncertainty Related to Going Concern

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

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

**Material Uncertainty Regarding Carrying Value of Exploration Expenditure**

We draw attention to Note 12 to the financial statements which describes the uncertainty around the basis of continuing to recognise the carrying value of exploration and evaluation assets. Our opinion is not modified in respect of this matter

**Key Audit Matters**

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

**Carrying value of Capitalised Exploration and Evaluation Expenditure**

**Refer to Note 12 Exploration and Evaluation Expenditure**

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

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

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

Our procedures included, amongst others:

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

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

Key Matters (continued)

Group's ability to continue as a Going Concern	
Refer to Note 1	
<p>The financial statements are prepared on a going concern basis in accordance with AASB 101 Presentation of Financial Statements. The Group continues to incur significant operating losses in its ongoing efforts to advance the commercialisation of its exploration and evaluation assets. As the directors' assessment of the Group's ability to continue as a going concern is subject to significant judgement, we identified going concern as a significant risk requiring special audit consideration.</p>	<p>Our audit procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• An evaluation of the directors' assessment of the Group's ability to continue as a going concern. In particular, we reviewed budgets and cashflow forecasts (including sensitivity analysis where necessary) for at least the next 12 months and reviewed and challenged the directors' assumptions;</li> <li>• Reviewed plans by the directors to secure additional funding through either the issue of further shares and/or debt funding or a combination thereof;</li> <li>• An evaluation of the directors plans for future operations and actions in relation to its going concern assessment, taking into account any relevant events subsequent to the year end, through discussion with the directors;</li> <li>• Review of disclosure in the financial statements to ensure appropriate.</li> </ul> <p>Based on our work, we agree with the directors' assessment that the going concern basis of preparation is appropriate and our conclusion on going concern is set out below. However, we also consider that there remains a material uncertainty which may cast significant doubt on the Group's ability to continue as a going concern because of the uncertainty over securing future funding and the extent &amp; timing of planned expenditures. The disclosures in the financial statements appropriately identify this risk.</p>

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

**Key Matters (continued)**

<b>Carrying Value of Financial Assets and Financial Liabilities</b>	
<b>Refer to Note 13 Financial Assets and Note 17 Financial Liabilities</b>	
<p>Financial Assets include amounts receivable of \$563k whilst Financial Liabilities include amounts payable of \$791k.</p> <p>Some of the amounts payable and receivable are to the same party or parties, although no legal right of set off exists. In addition, the quantum of some of the loans and the repayment terms are disputed by both the Company and the third party.</p> <p>Given the significance of the loans receivable and payable and the level of judgment and estimation required in determining their carrying values (particularly as some balances are disputed), accounting for the carrying values of Financial Assets and Financial Liabilities was considered a key audit matter.</p> <p>As disclosed in the financial report a settlement was reached by all parties as per the ASX announcement on the 12 August 2019. The settlement will have a positive net impact on the net asset position of the Group.</p>	<p>Our audit procedures included, amongst others, the following:</p> <ul style="list-style-type: none"> <li>• Reviewing the terms and conditions of loan agreements, where they exist, and related correspondence;</li> <li>• Discussing with Directors and management the nature of disputed matters and what action is in progress or planned in order to resolve any disputes;</li> <li>• Obtaining legal representation letters from legal firms engaged by the Company, setting out details of legal matters in which they are acting for the Company;</li> <li>• Consideration of management's assessment of the values to book in relation to each loan receivable and payable including the consideration of any impairment provisions that may be required;</li> <li>• Review the post year end deed of settlement and ensure disclosure in the financial statements relating to the settlement was appropriate.</li> </ul>

**Other Information**

The directors are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 30 June 2019 but does not include the financial report and our auditor's report thereon.

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

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

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

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF MEC RESOURCES LIMITED (CONTINUED)****Responsibilities of the Directors for the Financial Report**

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

**Responsibilities of the Directors for the Financial Report (continued)**

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

**Auditor's Responsibilities for the Audit of the Financial Report**

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

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

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

**INDEPENDENT AUDITOR'S REPORT  
TO THE MEMBERS OF MEC RESOURCES LIMITED (CONTINUED)****Auditor's Responsibilities for the Audit of the Financial Report (continued)**

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

**REPORT ON THE REMUNERATION REPORT*****Opinion on the Remuneration Report***

We have audited the Remuneration Report as included in the directors' report for the year ended 30 June 2019.

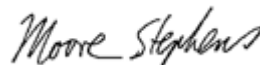
In our opinion, the Remuneration Report of MEC Resources Limited, for the year ended 30 June 2019 complies with section 300A of the *Corporations Act 2001*.

***Responsibilities***

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



NEIL PACE  
PARTNER



MOORE STEPHENS  
CHARTERED ACCOUNTANTS

Signed at Perth on the 31st day of August 2019

# Additional Securities Exchange Information

MEC Resources Ltd and its controlled subsidiaries

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this report as follows. The information is made up to 30 June 2019

## 1. Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	460	184,395	0.04
1,001 – 5,000	375	1,108,976	0.27
5,001 – 10,000	391	3,438,778	0.83
10,001 – 100,000	1,106	38,694,645	9.33
100,001 and over	457	371,151,582	89.53
	2,755	414,578,376	100

## 2. (a) Distribution of Unlisted Optionholders

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

## 3. Voting Rights - Shares

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

## 4. Voting Rights - Options

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

## 5. Restricted Securities

**Shares** - Number of Shares subject to escrow

Nil

**Options**

Number of Employee options not subject to Escrow (Not Listed)

2,400,000

**Total Options**

**2,400,000**

## Additional Securities Exchange Information

MEC Resources Ltd and its controlled subsidiaries

### 6. Tenements and Interests Held

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

### 8. Twenty Largest Shareholders (as at 30 June 2019)

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
Citicorp Nominees Pty Limited	13,034,298	3.14%
Mr Robert Anthony Healy	11,868,108	2.86%
Grandbridge Limited	11,409,543	2.75%
HSBC Custody Nominees	10,391,470	2.51%
Mr Ross Coventry Barter	9,353,328	2.26%
Protax Nominees Pty Ltd	9,000,000	2.17%
Eastwood Financial &	8,400,742	2.03%
Trandcorp Pty Ltd	6,227,238	1.50%
Bujo Pty Ltd	6,000,000	1.45%
Mr David Edward Nolan	5,855,554	1.41%
Ross Coventry Pty Ltd	5,660,032	1.37%
BPH Energy Limited	5,555,556	1.34%
Hera Investments Pty Ltd	5,418,096	1.31%
Anstey Superannuation Fund Pty	4,500,000	1.09%
Mr David Leslie Breeze	4,468,081	1.08%
Protax Nominees Pty Ltd	3,837,317	0.93%
Mr Tobias Foster	3,626,778	0.87%
Mrs Badura Pereira	3,564,513	0.86%
Mr Jordan Vujic	3,547,110	0.86%
Mr David Booth	3,359,714	0.81%
	<b>135,077,478</b>	<b>32.58%</b>