
MEC RESOURCES LTD

ACN 113 900 020

Annual Financial Report 2008

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MEC Resources Ltd

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Directors

H Goh – Non-Executive Chairman
S K Yap – Non-Executive Director
D L Breeze – Executive Director
K O Yap – Non-Executive Director
C T Lim – Non-Executive Director
C R Murphy – Executive Director
(resigned 29 November 2007)

Registered Office

14 View Street
NORTH PERTH WA 6006

Principal Business Address

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NORTH PERTH WA 6006
Telephone: (08) 9328 8477
Facsimile: (08) 9328 8733
Website: www.mecresources.com.au
E-mail: admin@mecresources.com.au

Auditor

Bentleys
Level 1
12 Kings Park Road
West Perth WA 6005

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

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

The directors of MEC Resources Ltd present their report on the company for the financial year ended 30 June 2008.

Directors

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

H Goh
S K Yap
D L Breeze
K O Yap
C T Lim
C R Murphy (resigned 29 November 2007)

Company Secretary

Ms Deborah Ambrosini was appointed Company Secretary on the 7th of May 2008. She also holds the position of Financial Controller of the Company and has over 10 years experience in Corporate accounting roles. The position was previously held by Mr David Breeze who will continue in his role of Executive Director.

Principal Activities

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

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

MEC is initially working to develop investment opportunities in PEP 11 (offshore Sydney Basin Gas prospect) and Advent Energy Ltd.

Advent Energy -Oil and Gas

MEC Resources Ltd has acquired a controlling interest in the unlisted energy explorer Advent Energy Ltd by funding the company with an initial \$1,000,000.

Advent Energy has assembled a range of hydrocarbon permits which contain near term production opportunities with pre-existing infrastructure and exploration upside. It intends to undertake development activities on the tenement package with a view to supplying electrical power generation, gas and diesel markets by developing and value-adding to its oil and gas resources.

Advent Energy is actively seeking further oil and gas permits to include in its portfolio and after completing negotiations will seek a listing of its securities, either directly or indirectly, on the ASX.

Operating Results

Operating loss for the consolidated entity after tax for the year was \$433,939 (2007: \$765,217)

Directors' Report

MEC Resources Ltd

Dividends

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

Financial Position

The net assets of the consolidated entity have increased by \$2,289,751 to \$6,208,110 at 30 June 2008. The increase can be attributed to the acquisition of Advent Energy Ltd and its consolidated entities. MEC Resources acquired a 74% interest in the Group at 30 June 2008 which has seen an increase in the capitalised exploration costs of the entity. In addition to this MEC Resources purchased a substantial holding in Central Petroleum Limited in 2008.

Significant Changes In State Of Affairs

During the financial year there were no significant changes in the state of affairs of the entity other than that referred to in the financial statements or notes thereto.

After Balance Date Events

Other than referred to in note 21 of the financial accounts there have not been any matters or circumstance that have arisen since the end of the financial year, that have significantly affected, or may significantly affect, the operations of the economic entity, the results of those operations, or the state of affairs of the economic entity in future financial years.

Future Developments

The entity will continue to develop its investee portfolio projects including PEP11 and Advent Energy Ltd and will evaluate and invest in a range of resource projects.

Information on Directors

H Goh

Non-Executive Chairman – Age 53

Shares held – 3,150,096

Listed Options held – nil

Unlisted Options held - nil

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

Prior to that, Hock was President of Schlumberger Asia based in Beijing, China where he managed their Asian operations consisting of a broad range of services including oil field services, outsourcing, financial software and smartcards. Hock was responsible for US\$800 million in revenue and more than 2,000 employees spread across 17 countries.

In his 25 year career with Schlumberger, Hock held several other field and management responsibilities in the oil and gas industry spanning more than ten countries in Asia, the Middle East and Europe. Hock started as an oil field service engineer in Indonesia in 1980 before moving to Australia where he worked

Directors' Report

MEC Resources Ltd

on the rigs in Roma, Queensland, Bass Strait in Victoria and the Northwest Shelf, offshore Western Australia.

Hock is also an operating partner with Baird Capital Partners, the U.S. based buyout fund of Baird Private Equity, providing change-of-control and growth capital to middle-market companies. Baird Private Equity has raised and managed \$1.7 billion in capital.

Hock is the Chairman of Netgain Systems, a network monitoring software provider. He also serves on the Board of Xaloy Holdings, a US based steel components manufacturer for the plastic industry, as well as an independent director of THISS Technologies Pte Ltd, a Singapore based satellite communication provider. He received his B Eng (Hons) in Mechanical Engineering from Monash University, Australia. He also completed an Advanced Management Program at INSEAD/ France in 2004.

Hock is a Non Executive director of ASX listed company Biopharmica Limited.

S K Yap

Non-Executive Director – Age 53

Shares held – 2,382,250

Unlisted Options held – 3,000,000

After graduating from Kyoto University, Seng Yap was employed by Schlumberger Limited, working in international Oil & Gas exploration projects across Asia, Australia and New Zealand. He worked as an International Staff Engineer at various Schlumberger onshore and offshore locations in Indonesia, Brunei, Japan, Australia, New Zealand and Papua New Guinea. He was Engineer in charge of land operations in Western Australia, and worked in Brunei as Engineer-in-Charge.

Seng was head of the joint venture between the NSW Investment Corporation and the venture capital operation of Daiwa Securities. He was Executive Director of Daiwa Securities Australia Limited and was instrumental in the establishment of the Australian stockbroking operations for the company.

Seng also worked as a senior advisor to leading venture capital groups and multi-nationals in Australia, Japan and China, advising on corporate, investment and development strategies. Seng, in his former investment banker role, was the leader in a series of transactions worth in excess of AU\$500 million. He has also been on the Board of several resort management companies.

Seng is currently a Director on the Board of a Japanese Coca-Cola Bottler with an annual turnover of approximately one billion dollars. He is also a Director for ASX listed Biopharmica Ltd and a number of unlisted companies in Australia, Japan and China. Seng was also an Associate of the Securities Institute of Australia and a Fellow of the Australian Institute of Company Directors.

D L Breeze

Executive Director – Age 54

Shares held – 5,022,151

Unlisted Options held – 3,000,000

David has extensive experience in transaction structuring, corporate advisory and funding for listed and unlisted companies and has held executive, consulting and/or board positions across a range of stockbroking companies in Australia including Daiwa Securities, Eyres Reed McIntosh and BNZ North's.

Directors' Report

MEC Resources Ltd

David has provided capital raising, valuation and corporate advisory services for a wide ranging group of resources companies including Independent Experts reports for asset valuation under the provisions of the Australian Securities Exchange Rules and Corporations Law. The advisory function included advice on corporate structure, ASX listing rules and the structuring and running of IPO's. He has also published in the Australian Securities Industry Journal on resource valuation.

David has worked on the structuring, capital raising and public listing of over 80 companies involving in excess of \$250M. These capital raisings covered a diverse range of areas including oil and gas, gold, biotechnology and manufacturing. David is Chairman of Grandbridge Ltd, a publicly listed investment and advisory company and BioPharmica Ltd an ASX listed biotechnology commercialization business.

He holds a Bachelor of Economics and a Masters of Business Administration (MBA) and is a Member of the Australian Institute of Management, an Affiliate member of the Securities Institute of Australia and a Fellow of the Institute of Company Directors of Australia.

C R Murphy

Executive Director – Age 36

Shares held – 3,850,000

Unlisted Options held – 3,000,000

Resigned 29 November 2007

Charles has been an advisor and Director for a broad spectrum of companies in resources, energy, healthcare and financial services. He regularly provides strategic input and advice on corporate strategic planning, transaction structuring partnership sourcing and joint ventures.

Charles has previously held Directorships and senior management positions incorporating business and corporate development within VC and private equity funded companies and has experience in the strategic marketing of mining and technology products to the Asia Pacific region.

Charles has held positions on the boards of a number of Australian Securities Exchange listed and private unlisted companies. He is also actively involved in the start-up development, structuring and listing of companies onto the Australian Securities Exchange.

Charles holds a Bachelor Degree in Asian Studies and Marketing and a Masters Degree in Business Administration.

K O Yap

Non-Executive Director – Age 46

Shares held – 2,000,000

Unlisted Options held – nil

K.O Yap has over 16 years experience in investment banking. Prior to establishing Eton Advisory Services Ltd, K.O was Head of Corporate Finance at Daiwa Securities (H.K.) Ltd. and Executive Director at Alta Financial Group. His career took him from general audit, computer audit and corporate advisory with Ernst & Young in London to investment banking with Barclays de Zoete Wedd Asia Ltd. and then Daiwa Securities (H.K.) Ltd.

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

Directors' Report

MEC Resources Ltd

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

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

C T Lim

Non-executive Director – Age 53

Shares held – 2,020,000

Unlisted Options held – nil

Mr Lim is a founder and director of Encus International Pte Ltd, a contract design and manufacturing company. Mr Lim was also the Chief Executive of Xpress Holdings Ltd during the period from 2001 to August 2005 and its Group Managing Director in 2000. He is currently an Executive Director of Manufacturing Integration Technology Ltd.

For 20 years Mr Lim was with the Singapore Economic Development Board and held various positions with responsibilities for promoting and developing venture capital, mergers and acquisitions, engineering industries, local enterprises, skills training, automation and overseas investments. This included a period as a Director for the Enterprise Development Division of the Singapore Economic Development Board.

Mr Lim is also involved with several listed and private companies in Singapore.

He is an Independent and Non-Executive Director on the boards of FibreChem Technologies Ltd, Metal Component Engineering Ltd, RotoI Singapore Ltd, all of which are listed on the Singapore Exchange. In addition, he sits on the Boards of GRN Singapore Pte Ltd and Atlas Vending Pte Ltd.

In the academic area, Mr Lim is a member of the Board of Governors of Nanyang Polytechnic in Singapore.

Mr Lim holds a Bachelor of Science (Honours) Degree in Mechanical Engineering from the University of Leeds and a Diploma in Business Administration from the National University of Singapore. In addition, Mr Lim attended the Program for Management Development at Harvard Business School.

Mr Lim is a Non Executive director of ASX listed company Grandbridge Limited.

Remuneration Report

This report details the nature and amount of remuneration for each director of MEC Resources Ltd, and for the executives receiving the highest remuneration.

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 based on key performance areas affecting the economic entity's financial results. The board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the economic entity, as well as create goal congruence between directors, executives and shareholders.

Directors' Report

MEC Resources Ltd

The board's policy for determining the nature and amount of remuneration for board members and senior executives of the economic entity is as follows:

- The remuneration policy, setting the terms and conditions for the executive directors and other senior executives, was approved by the board after seeking professional advice from independent external consultants.
- All executives receive a base salary (which is based on factors such as length of service and experience), superannuation, fringe benefits, options and performance incentives.
- The Board reviews executive packages annually by reference to the economic entity's performance, executive performance and comparable information from industry sectors and other listed companies in similar industries.

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

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

The executive directors and executives receive a superannuation guarantee contribution required by the government, which is currently 9%, and do not receive any other retirement benefits. Some individuals, however, have chosen to sacrifice part of their salary to increase payments towards superannuation.

All remuneration paid to directors and executives is valued at the cost to the company and expensed. 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 the Black-Scholes methodology.

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

Details of Remuneration for the year ended 30 June 2008

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

Directors' Report

MEC Resources Ltd

2008

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Director fees	Non-cash benefit	Other	Superannuation
H Goh	-	-	-	-	-
S K Yap	25,000	-	-	-	-
D L Breeze	65,000	25,000	-	-	-
C R Murphy	16,250	-	-	-	-
K O Yap	25,000	-	-	-	-
C T Lim	25,000	-	-	-	-
D Ambrosini	-	-	-	-	-

2008 (cont'd)

Key Management Person	Long-term Benefits	Share-based payment		Total	Performance Related
		Other	Equity	Options	\$
H Goh	-	252,000	-	252,000	60.00
S K Yap	-	-	-	25,000	-
D L Breeze	-	-	-	90,000	-
C R Murphy	-	-	-	16,250	-
K O Yap	-	-	-	25,000	-
C T Lim	-	-	-	25,000	-
D Ambrosini	-	-	1,548	1,548	100.00

2007

Key Management Person	Short-term Benefits				Post-employment Benefits
	Cash, Salary and Fees	Cash profit share	Non-cash benefit	Other	Superannuation
H Goh	-	-	-	-	-
S K Yap	-	10,000	-	-	-
D L Breeze	65,000	16,666	-	-	-
C R Murphy	65,000	25,000	-	-	-
K O Yap	-	-	-	-	-
C T Lim	-	-	-	-	-

Directors' Report

MEC Resources Ltd

2007 (cont'd)

Key Person	Management	Long-term Benefits		Share-based payment		Total	Performance Related
		Other	Equity	Options	\$		
H Goh		-	-	-	-	-	-
S K Yap		-	-	16,667	26,667	26,667	62.50
D L Breeze		-	-	-	81,666	81,666	-
C R Murphy		-	-	-	90,000	90,000	-
K O Yap		-	-	-	-	-	-
C T Lim		-	-	16,667	16,667	16,667	100.00

The company has an agreement with Trandcorp Pty Ltd on normal commercial terms procuring the services of David Breeze. The agreement is at the rate of \$65,000 per annum, commencing from the time of receiving listing approval. Board payments may be made up to a level of \$250,000 per annum. Payments are to be made up to \$25,000 per annum per director.

Options and Rights Holdings

Number of Unlisted Options Held by Key Management Personnel

	Balance 1.7.2007	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2008	Total Vested 30.6.2008	Total Exercisable 30.6.2008	Total Unexercisable 30.6.2008
H Goh	-	-	-	-	-	-	-	-
S K Yap	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-
D Breeze	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-
C Murphy	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000	-
K O Yap	-	-	-	-	-	-	-	-
C T Lim	-	-	-	-	-	-	-	-
D Ambrosini	-	1,000,000	-	-	1,000,000	-	-	1,000,000

Options and Rights Holdings

Number of Listed Options Held by Key Management Personnel

	Balance 1.7.2007	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2008	Total Vested 30.6.2008	Total Exercisable 30.6.2008	Total Unexercisable 30.6.2008
H Goh	-	-	-	-	-	-	-	-
S Yap	2,382,250	-	-	(2,382,250)	-	-	-	-
D Breeze	5,006,252	-	-	(5,006,252)	-	-	-	-
C Murphy	1,000,000	-	-	(1,000,000)	-	-	-	-
K Yap	2,000,000	-	-	(2,000,000)	-	-	-	-
C Lim	1,666,667	-	-	(1,666,667)	-	-	-	-
D Ambrosini	-	-	-	-	-	-	-	-

The Net Change Other reflected above includes those options that have lapsed during the financial year.

Directors' Report

MEC Resources Ltd

Shareholdings Number of Shares Held by Key Management Personnel

	Balance 1.7.2007	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2008
H Goh	-	3,100,096	-	50,000	3,150,096
S K Yap	2,382,250	-	-	-	2,382,250
D L Breeze	5,022,151	-	-	-	5,022,151
C R Murphy	3,850,000	-	-	-	3,850,000
K O Yap	2,000,000	-	-	-	2,000,000
C T Lim	2,000,000	-	-	20,000	2,020,000
D Ambrosini	-	-	-	-	-

Company performance, shareholder wealth, and director and executive remuneration

The following table shows the gross revenue and the operating result for the last 3 years for the listed entity, as well as the share price at the end of the respective financial years. Analysis of the actual figures shows a noticeable decrease in the operating loss in the last year, as well as maintenance of the share price. The Board is of the opinion that these results can be attributed in part to the previously described remuneration policy. The Board is satisfied that the current developments will translate to increased shareholder wealth.

	2006	2007	2008
Revenue	21,735	105,971	1,067,694
Net Profit	(106,981)	(765,217)	(433,939)
Share price at Year end	\$0.15	\$0.115	\$0.115

Employment contracts of directors and senior executives

The employment conditions of the executive director and specified executives are formalised in contracts of employment. The directors are permanent employees of MEC Resources Ltd. The employment contracts stipulate a six month resignation period. The company may terminate an employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component together with a redundancy payment of six months of the individual's fixed salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will not lapse.

Directors' Report

MEC Resources Ltd

Meetings of Directors

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

	Directors' Meetings	
	Number eligible to attend	Number attended
H Goh	2	2
S K Yap	2	2
D L Breeze	2	2
C R Murphy	1	1
K O Yap	1	1
C T Lim	2	2

Indemnifying Officers or Auditors

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

The company has paid premiums to insure each of the following directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. The amount of the premium was \$19,997.

- D Breeze
- S K Yap
- H Goh
- K O Yap
- C T Lim

Options

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

Grant Date	Date of Expiry	Exercise Price	Number Under Option
18/05/2006	1/12/2010	\$0.21	9,000,000
06/05/2008	01/03/2009	\$0.20	1,000,000
01/06/2008	30/06/2013	\$0.15	2,150,000

666,800 options were converted to ordinary shares during the year ended 30 June 2008.

Directors' Report

MEC Resources Ltd

During the year ended 30 June 2008, no ordinary shares of MEC Resources Ltd were issued on the exercise of options granted under the MEC Resources Ltd Employee Option Plan. No amounts are unpaid on any of the shares.

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

Proceedings on Behalf of Company

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

Environmental Issues

The consolidated group's operations are not subject to significant environmental regulation under the law of the Commonwealth and State.

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 2007.

Auditor's Independence Declaration

The lead auditor's independence declaration for the year ended 30 June 2008 has been received and can be found on page 12.

Signed in accordance with a resolution of the Board of Directors.



David Breeze

Director

Dated this 27th Day of August 2008

To The Board of Directors

Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

This declaration is made in connection with our review of the financial report of MEC Resources Limited and Controlled Entities for the half year ended 30 June 2008 and in accordance with the provisions of the Corporations Act 2001.

We declare that, to the best of our knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review;
- no contraventions of the Code of Professional Conduct of the Institute of Chartered Accountants in Australia in relation to the review.

Yours faithfully



BENTLEYS
Chartered Accountants



RANKO MATIĆ
Director

DATED at PERTH this 27th day of August 2008

Corporate Governance Statement

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

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

CORPORATE GOVERNANCE DISCLOSURES

The Board and management are committed to corporate governance and to the extent that they are applicable to the Company have followed the “Principles of Good Corporate Governance and Best Practice Recommendations” issued by the Australian Securities Exchange (“ASX”) Corporate Governance Council.

COMPOSITION OF THE BOARD

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

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

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

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

REMUNERATION AND NOMINATION COMMITTEES

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

AUDIT COMMITTEE

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

Corporate Governance Statement

BOARD RESPONSIBILITIES

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

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

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

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

MONITORING OF THE BOARD'S PERFORMANCE

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

BEST PRACTICE RECOMMENDATION

Outlined below are the 10 Essential Corporate Governance Principles as outlined by the ASX and the Corporate Governance Council. The Company has complied with the Corporate Governance Best Practice Recommendations except as identified below.

	Action taken and reasons if not adopted
<i>Recognise and publish the respective roles and responsibilities of the board and management</i>	Adopted
<i>Principle 1: Lay solid foundation for management and oversight</i>	
1.1 Formalise and disclose the functions reserved to the Board and those delegated to management	
<i>Have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties</i>	Adopted except as follow:-

Corporate Governance Statement

	Action taken and reasons if not adopted
<p><i>Principle 2: Structure the board to add value</i></p> <p>2.1 A majority of the Board should be independent 2.2 The chairperson should be an independent director 2.3 The roles of chairperson and chief executive officer should not be exercised by the same individual 2.4 The board should establish a nomination committee 2.5 Provide the information indicated in 'Guide to reporting on Principle 2'</p>	<p>2.4 The Company is not of a size at the moment that justifies having a separate Nomination Committee. However, matters typically dealt with by such a committee are dealt with by the Executive Committee.</p>
<p><i>Actively promote ethical and responsible decision-making</i></p> <p><i>Principle 3: Promote ethical and responsible decision-making</i></p> <p>3.1 Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the Company's integrity 3.1.2 the responsibility and accountability of individuals for reporting or investigating reports of unethical practices 3.2 Disclose the policy concerning trading in Company securities by directors, officers and employees 3.3 Provide the information indicated in 'Guide to Reporting on Principle 3'</p>	<p>Adopted</p>
<p><i>Have a structure in place to independently verify and safeguard the integrity of the Company's financial reporting</i></p> <p><i>Principle 4: Safeguard integrity in financial reporting</i></p> <p>4.1 Require the chief executive officer (or equivalent) and the chief financial officer (or equivalent) to state in writing to the Board that the Company's financial reports present a true and fair view, in all material respects, of the Company's financial condition and operational results and are in accordance with relevant accounting standards. 4.2 The Board should establish an audit committee 4.3 Structure the audit committee so that it consists of:</p> <ul style="list-style-type: none"> ▪ Only non-executive directors ▪ A majority of independent directors ▪ An independent chairperson who is not the chairperson of the Board ▪ At least three members 	<p>Adopted except as follows:-</p> <p>4.2 & 4.3 The Company does not have a separate Audit Committee. The full Board carries out the functions of an Audit Committee. Due to the status of the Company and the relatively straight forward accounts of the Company, the Directors at the</p>

Corporate Governance Statement

- 4.4 The audit committee should have a formal operating charter
- 4.5 Provide the information indicated in the 'Guide to reporting on Principle 4'

Promote timely and balanced disclosure of all material matters concerning the Company

Principle 5: Make timely and balanced disclosure

- 5.1 Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance
- 5.2 Provide the information indicated in the 'Guide to reporting on Principle 5'

Respect the rights of shareholders and facilitate the effectiveness of those rights

Principle 6: Respect the rights of shareholders

- 6.1 Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.
- 6.2 Request the external audit to attend the annual general meeting and be available to answer shareholder questions about the audit and the preparation and content of the auditor's report

Establish a sound system of risk oversight and management and internal control

Principle 7: Recognise and manage risk

- 7.1 The Board or appropriate Board committee should establish policies on risk oversight and management
- 7.2 The chief executive officer (or equivalent) and the chief financial officer (or equivalent) should state to the Board in writing that:
 - 7.2.1 the statement given in accordance with best practice recommendation 4.1 (the integrity of financial statements) is founded on a sound system of risk management and internal

moment can see no additional benefits to be obtained by establishing such a committee. The Board follows the Audit Committee Charter, a copy of which is available on request.

Adopted

Adopted

Adopted

Corporate Governance Statement

- compliance and control which implements the policies adopted by the Board
- 7.2.2 the Company's risk management and internal compliance and control system is operating efficiently and effectively in all material respects.

7.3 Provide the information indicated in the 'Guide to reporting on Principle 7'

Fairly review and actively encourage enhanced board and management effectiveness

Adopted

Principle 8: Encourage enhanced performance

- 8.1 Disclose the process for performance evaluation of the Board, its committees and individual directors, and key executives

Ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to corporate and individual performance is defined

Adopted except as follows:-

Principle 9: Remunerate fairly and responsibly

- 9.1 Provide disclosure in relation to the Company's remuneration policies to enable investors to understand (i) the cost and benefits of these policies and (ii) the link between remuneration paid to directors and key executives and corporate performance.
- 9.2 The Board should establish a remuneration committee
- 9.3 Clearly distinguish the structure of non-executive directors' remuneration from that of executives
- 9.4 Ensure that payment of equity-based executive remuneration is made in accordance with thresholds set in plans approved by shareholders

9.2 The Company is not of a size that justifies having a separate Remuneration Committee. However, matters typically dealt with by such committee are dealt with by the full Board.

Recognise the legal and other obligations of all legitimate stakeholders

Adopted

Principle 10: Recognise the legitimate interest of stakeholders

- 10.1 Establish and disclose a code of conduct to guide compliance with legal and other obligations to legitimate stakeholders

Income Statement for the year ended 30 June 2008

MEC Resources Ltd

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
Revenue	2	239,646	105,971	239,646	112,686
Other Income	2	828,048	-	805,736	-
Administration expenses		(190,122)	(83,203)	(190,122)	(82,429)
Consulting and Legal expenses		(314,178)	(308,427)	(314,178)	(308,427)
Depreciation and amortisation expense		(2,376)	(110)	(2,376)	(110)
Employee expenses		(527,081)	(140,625)	(527,081)	(140,625)
Insurance expenses		(19,466)	-	(19,466)	-
Data Centre administration		(53,055)	-	(53,055)	-
Service Fees		(216,000)	(216,000)	(216,000)	(216,000)
Traveling expenses		(54,830)	(54,750)	(54,830)	(54,750)
Other expenses from ordinary activities		(124,525)	(68,073)	(124,525)	(68,073)
<i>Operating Loss Before Income Tax</i>		(433,939)	(765,217)	(456,251)	(757,728)
Income tax expense		-	-	-	-
<i>Operating Loss from continuing operations</i>		(433,939)	(765,217)	(456,251)	(757,728)
<i>Operating Loss for the year</i>		(433,939)	(765,217)	(456,251)	(757,728)
<i>Operating Loss attributable to minority equity interest</i>		-	-	-	-
<i>Operating Loss attributable to members of the parent entity</i>		(433,939)	(765,217)	(456,251)	(757,728)
<i>Earnings Per Share –</i>					
<i>Basic earnings per share (cents per share)</i>	5	(0.668)	(1.466)		

The accompanying notes form part of these financial statements.

Balance Sheet as at 30 June 2008

MEC Resources Ltd

		Consolidated		Parent	
	Note	2008 \$	2007 \$	2008 \$	2007 \$
Current Assets					
Cash and cash equivalents	6	1,966,361	3,027,592	1,500,338	3,026,798
Trade and other receivables	8	43,651	192,005	39,388	191,153
Total Current Assets		2,010,012	3,219,597	1,539,726	3,217,951
Non-Current Assets					
Other non-current assets	9	22,673	-	-	-
Capitalised exploration costs	10	2,671,564	686,270	62,365	26,965
Financial assets	11	2,426,609	148,360	4,029,809	808,422
Property, plant & equipment	12	6,095	1,740	6,095	1,740
Total Non-Current Assets		5,126,941	836,370	4,098,269	837,127
Total Assets		7,136,953	4,055,967	5,637,995	4,055,078
Current Liabilities					
Trade and other payables	13	290,052	137,608	202,856	129,230
Provisions	14	95,727	-	13,884	-
Total Current Liabilities		385,779	137,608	216,740	129,230
Non Current Liabilities					
Financial liabilities	15	543,064	-	41,047	-
Total Non Current Liabilities		543,064	-	41,047	-
Total Liabilities		928,843	137,608	257,787	129,230
Net Assets		6,208,110	3,918,359	5,380,208	3,925,848
Equity					
Issued capital	16	6,671,278	4,349,560	6,671,278	4,349,560
Option Reserve	17	29,890	440,997	29,890	440,997
Accumulated losses		(1,320,960)	(872,198)	(1,320,960)	(864,709)
Total Parent Entity Equity Interest		5,380,208	3,918,359	5,380,208	3,925,848
Minority Equity Interest		827,902	-	-	-
Total Equity		6,208,110	3,918,359	5,380,208	3,925,848

The accompanying notes form part of the financial statements.

Statement of Changes in Equity for the year ended 30 June 2008

MEC Resources Ltd

	Consolidated				Total \$
	Ordinary Share Capital \$	Accumulated losses \$	Option Reserve \$	Minority Interest \$	
Balance at 1 July 2006	4,332,709	(106,981)	-	-	4,225,728
Shares issued during the financial year	18,900	-	-	-	18,900
Options issued during the financial year	-	-	440,997	-	440,997
Transaction costs	(2,049)	-	-	-	(2,049)
Loss attributable to members of the consolidated entity	-	(765,217)	-	-	(765,217)
Balance at 30 June 2007	4,349,560	(872,198)	440,997	-	3,918,359
Balance at 1 July 2007	4,349,560	(872,198)	440,997	-	3,918,359
Shares issued during the financial year	1,772,346	-	-	-	1,772,346
Options exercised during the financial year	140,028	-	(6,668)	-	133,360
Options expired during the financial year	408,328	-	(408,328)	-	-
Options issued during the financial year	-	-	3,889	-	3,889
Transaction costs	1,016	-	-	-	1,016
Loss attributable to members of the consolidated entity	-	(433,939)	-	-	(433,939)
Sale of Subsidiary	-	(14,823)	-	-	(14,823)
Minority Equity Interest	-	-	-	827,902	827,902
Balance at 30 June 2008	6,671,278	(1,320,960)	29,890	827,902	6,208,110

Statement of Changes in Equity for the year ended 30 June 2008

MEC Resources Ltd

	Company			
	Ordinary Share Capital \$	Accumulated losses \$	Option Reserve \$	Total \$
Balance at 1 July 2006	4,332,709	(106,981)	-	4,225,728
Shares issued during the financial year	18,900	-	-	18,900
Options issued during the financial year	-	-	440,997	440,997
Transaction costs	(2,049)	-	-	(2,049)
Loss attributable to members of parent entity	-	(757,728)	-	(757,728)
Balance at 30 June 2007	4,349,560	(864,709)	440,997	3,925,848
Balance at 1 July 2007	4,349,560	(864,709)	440,997	3,925,848
Shares issued during the financial year	1,772,346	-	-	1,772,346
Options exercised during the financial year	140,028	-	(6,668)	133,360
Options expired during the financial year	408,328	-	(408,328)	-
Options issued during the financial year	-	-	3,889	3,889
Transaction costs	1,016	-	-	1,016
Loss attributable to members of parent entity	-	(456,251)	-	(456,251)
Balance at 30 June 2008	6,671,278	(1,320,960)	29,890	5,380,208

The accompanying notes form part of these financial statements.

Cash Flow Statement for the year ended 30 June 2008

MEC Resources Ltd

	Note	Consolidated		Parent	
		2008 \$	2007 \$	2008 \$	2007 \$
<i>Cash Flows From Operating Activities</i>					
Receipts from customers		70,000	-	70,000	-
Payments to suppliers and employees		(1,050,237)	(818,261)	(1,001,200)	(825,013)
Payment for deferred exploration expenditure		(49,321)	(686,270)	(35,400)	(26,965)
Interest received		169,646	105,971	169,646	112,686
Net cash used in operating activities	18	(859,912)	(1,398,560)	(796,954)	(739,292)
<i>Cash Flows From Investing Activities</i>					
Amounts repaid by/ (loaned to) other entities		57,599	-	(5,182)	-
Payment for investments		(2,369,316)	(148,360)	(2,369,316)	(808,422)
Payment for property, plant and equipment		(6,731)	(1,850)	(6,731)	(1,850)
Net cash inflow on acquisition of subsidiary		465,408	-	-	-
Net cash used in investing activities		(1,853,040)	(150,210)	(2,381,229)	(810,272)
<i>Cash Flows From Financing Activities</i>					
Proceeds from capital raising		1,651,721	388,964	1,651,721	388,964
Proceeds from/(repayment of) borrowings		-	(26,190)	-	(26,190)
Share issue costs		-	-	-	-
Net cash provided by financing activities		1,651,721	362,774	1,651,721	362,774
<i>Net increase (decrease) in Cash Held</i>		(1,061,231)	(1,185,996)	(1,526,462)	(1,186,790)
<i>Cash At the Beginning Of The Financial Year</i>		3,027,592	4,213,588	3,026,800	4,213,588
<i>Cash At The End Of The Financial Year</i>	6	1,966,361	3,027,592	1,500,338	3,026,798

The accompanying notes form part of these financial statements.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

1. Statement of Significant Accounting Policies

The financial report includes the consolidated financial statements and the notes of MEC Resources Limited and controlled entities ('Consolidated Group' or 'Group'), and the separate financial statements and notes of MEC Resources Limited as an individual parent entity ('Parent Entity').

Basis of Preparation

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

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. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. 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 applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Accounting Policies

Principles of Consolidation

A controlled entity is any entity MEC Resources Limited has the power to control the financial and operating policies of so as to obtain benefits from its activities.

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.

Minority equity interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

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 control together with costs directly attributable to the business combination. Any deferred consideration payable is discounted to

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

present value using the entity's incremental borrowing rate.

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

(a) 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 using the balance sheet liability method 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 credited in the income statement except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised to the extent that it is probable that future tax profits will be available against which deductible temporary differences 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 economic entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

(b) 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 basis.

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 income statement 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

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

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

33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

(c) Exploration and Development Expenditure

Exploration, evaluation and development expenditure incurred is accumulated in respect of each identifiable area of interest. These costs are only carried forward 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.

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.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the 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.

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 on an undiscounted basis.

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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

(d) Financial Instruments

Recognition and Initial Measurement

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

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

Derecognition

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

Classification and Subsequent Measurement

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

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

(ii) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost using the effective interest rate method.

(iii) *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the group's intention to hold these investments to maturity. They are subsequently measured at amortised cost using the effective interest rate method.

(iv) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either designated as such or that are not classified in any of the other categories. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

(v) Financial Liabilities

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

Fair value

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

Impairment

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

(e) Impairment of Assets

At each reporting date, the group reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

Where it is not possible to estimate the recoverable amount of an individual asset, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

(f) 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 balance sheet.

(g) Revenue

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

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

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 upon the delivery of the service to the customers.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

All revenue is stated net of the amount of goods and services tax (GST).

(h) 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 balance sheet are shown inclusive of GST.

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

(i) Comparative Figures

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

Critical accounting estimates and judgments

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

Key estimates — Impairment

The group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

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 balance sheet date reached a stage that permits reasonable assessment of the existence of economically recoverable reserves, refer to the accounting policy stated in note 1(c).

Key Judgments — Impairment of financial assets

No impairment has been recognised in respect of the Company's carrying value of its investments in its subsidiaries Advent Energy Limited and Asset Energy Proprietary Limited. After a review of the carrying values, the directors believe that the full amount of these investments is recoverable through the projected activities of each entity and no provision for impairment has been made as at 30 June 2008.

The financial report was authorised for issue on 27th August 2008 by the board of directors.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
2. Revenue				
Revenue				
Interest revenue : other entities	169,646	105,971	169,646	112,686
Sub underwriting income	70,000	-	70,000	-
Total revenue	239,646	105,971	239,646	112,686
 Other Income				
Unrealised gain on investments	336,986	-	336,986	-
Gain on Sale of Investments	468,750	-	468,750	-
Other gains	22,312	-	-	-
	828,048	-	805,736	-

3. Auditors' Remuneration

Audit fees for the financial year to 30 June 2008 were \$34,243 (2007: \$17,775).
Fees for other services provided were \$nil (2007: \$nil).

4. Key Management Personnel Compensation

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

Key Management Personnel

H Goh – Non-Executive Chairman
D L Breeze - Executive Director
C R Murphy - Executive Director (resigned 29th November 2007)
S K Yap - Non-Executive Director
K O Yap - Non-Executive Director
C T Lim - Non-Executive Director
D Ambrosini – Company Secretary (appointed 7 May 08)

(b) Compensation Practices

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

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

The employment conditions of the executive directors and other key management personnel are formalised in contracts of employment.

The employment contract stipulates a six month resignation period. The company may terminate an employment contract without cause by providing six months written notice or making payment in lieu of notice, based on the individual's annual salary component. Termination payments are generally not payable on resignation or dismissal for serious misconduct. In the instance of serious misconduct the company can terminate employment at any time. Any options not exercised before or on the date of termination will lapse.

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

(c) Options and Rights Holdings

Number of Unlisted Options Held by Key Management Personnel

	Balance 1.7.2007	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2008	Total Vested 30.6.2008	Total Exercisable 30.6.2008
H Goh	-	-	-	-	-	-	-
S Yap	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
D Breeze	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
C Murphy	3,000,000	-	-	-	3,000,000	3,000,000	3,000,000
K Yap	-	-	-	-	-	-	-
C Lim	-	-	-	-	-	-	-
D Ambrosini	-	1,000,000	-	-	1,000,000	-	-

The Net Change Other reflected above includes those options that have been forfeited by holders as well as options issued during the year under review.

(d) Options and Rights Holdings

Number of Listed Options Held by Key Management Personnel

	Balance 1.7.2007	Granted as Compensation	Options Exercised	Net Change Other	Balance 30.6.2008	Total Vested 30.6.2008	Total Exercisable 30.6.2008
H Goh	-	-	-	-	-	-	-
S Yap	2,382,250	-	-	(2,382,250)	-	-	-
D Breeze	5,006,252	-	-	(5,006,252)	-	-	-
C Murphy	1,000,000	-	-	(1,000,000)	-	-	-
K Yap	2,000,000	-	-	(2,000,000)	-	-	-
C Lim	1,666,667	-	-	(1,666,667)	-	-	-
D Ambrosini	-	-	-	-	-	-	-

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

(e) Shareholdings

Number of Shares Held by Key Management Personnel

	Balance 1.7.2007	Received as Compensation	Options Exercised	Net Change Other	Balance 30.6.2008
H Goh	-	3,100,096	-	50,000	3,150,096
S K Yap	2,382,250	-	-	-	2,382,250
D L Breeze	5,022,151	-	-	-	5,022,151
C R Murphy	3,850,000	-	-	-	3,850,000
K O Yap	2,000,000	-	-	-	2,000,000
C T Lim	2,000,000	-	-	20,000	2,020,000
D Ambrosini	-	-	-	-	-

Key management personnel remuneration has been included in the Remuneration Report section of the Directors Report.

5. Earnings per share

	Consolidated	
	2008	2007
	\$	\$
(a) Reconciliation of Earnings to Profit or Loss		
Loss	(433,939)	(765,217)
Earnings used to calculate basic EPS	(433,939)	(765,217)
(b) Reconciliation of Earnings to Profit or Loss from continuing operations		
Loss from continuing operations	(433,939)	(765,217)
Earnings used to calculate basic EPS from continuing operations	(433,939)	(765,217)
(c) Weighted average number of ordinary shares outstanding during the year used in calculating basic EPS	64,939,561	52,183,846

6. Cash and cash equivalents

Cash at bank and in hand	1,966,361	3,027,592	1,500,338	3,026,798
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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 balance sheet as follows:

Cash and cash equivalents	1,966,361	3,027,592	1,500,338	3,026,798
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Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
7. Income Tax Expense				
The components of tax expense comprise:				
Current tax	-	-	-	-
Deferred tax	-	-	-	-
a) The prima facie tax on profit from ordinary activities before income tax is reconciled to the income tax as follows:				
Prima facie tax payable on profit from ordinary activities before income tax at 30% (2007: 30%)				
Company	(130,182)	(229,565)	(136,875)	(227,318)
Tax benefit of revenue losses not recognised	189,060	281,736	191,576	279,489
Less tax effect of:				
Exploration and evaluation costs	(14,797)	(8,090)	(10,620)	(8,090)
Tax benefit of equity raising costs not recognised	(44,081)	(44,081)	(44,081)	(44,081)
Income tax attributable to parent entity	-	-	-	-
Balance of franking account at year end	-	10,539	-	10,539
	%	%	%	%
Weighted average rate of tax	-	-	-	-
The following deferred tax balances at 30% (2007: 30%) have not been recognised				
Deferred Tax Assets:				
Carry forward revenue losses	516,037	326,977	516,337	324,761
Capital raising costs	88,100	132,150	88,100	132,150
(b) The tax benefits of the above Deferred Tax Assets will only be obtained if:				
(i) company derives future assessable income in a nature and of an amount sufficient to enable the benefits to be utilised;				

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
(ii) the company continues to comply with the conditions for deductibility imposed by law; and				
(iii) no changes in income tax legislation adversely affect the company in utilising the benefits.				
Deferred Tax Liabilities				
Exploration Expenditure	14,797	8,090	10,620	8,090
The above Deferred Tax Liabilities have not been recognised as they have given rise to the carry forward revenue losses for which the Deferred Tax Asset has not been recognised.				
8. Trade and other receivables				
CURRENT				
Trade receivables	16,505	26,264	13,163	26,264
Other receivables	27,146	165,741	26,225	164,889
	<u>43,651</u>	<u>192,005</u>	<u>39,388</u>	<u>191,153</u>
9. Other Assets				
Other Assets	<u>22,673</u>	-	-	-
Total Other Assets	<u>22,673</u>	-	-	-
10. Capitalised Exploration Costs				
Exploration expenditure capitalised				
Exploration and evaluation phases	<u>2,671,564</u>	<u>686,270</u>	<u>62,365</u>	<u>26,965</u>
	<u>2,671,564</u>	<u>686,270</u>	<u>62,365</u>	<u>26,965</u>

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

Capitalised costs amounting to \$49,322 (2007:\$686,270) have been included in cash flows from operating activities in the cash flow statement.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Other non-current assets	40,698	-	46,335	-
Investment in Advent Energy Ltd	-	148,360	3,285,062	148,360
Investment in Asset Energy Pty Ltd	-	-	-	660,062
Investment in Central Petroleum Ltd	2,385,911	-	698,412	-
	<u>2,426,609</u>	<u>148,360</u>	<u>4,029,809</u>	<u>808,422</u>

Central Petroleum Ltd

The Company acquired a substantial interest in Central Petroleum Ltd on the 16 July 2007. On 30th June 2008 the Company sold 83% of its interests to its subsidiary Advent Energy Ltd.

12. Property, Plant and Equipment

Plant and Equipment:

At cost	8,580	1,850	8,580	1,850
Accumulated depreciation	(2,485)	(110)	(2,485)	(110)
Total Property, Plant and Equipment	<u>6,095</u>	<u>1,740</u>	<u>6,095</u>	<u>1,740</u>

(a) Movements in Carrying Amounts

Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

Economic Entity:	Plant and Equipment	Total
	\$	\$
Balance at the beginning of the year	1,740	1,740
Additions	6,731	6,731
Disposals	-	-
Depreciation expense	(2,376)	(2,376)
Carrying amount at the end of the year	<u>6,095</u>	<u>6,095</u>

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

Parent Entity:

Balance at the beginning of the year	1,740	1,740
Additions	6,731	6,731
Disposals	-	-
Depreciation expense	(2,376)	(2,376)
Carrying amount at the end of the year	6,095	6,095

13. Trade and other payables

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Trade payables	64,063	60,515	27,907	52,138
Sundry payables and accrued expenses	225,989	77,093	174,949	77,092
	290,052	137,608	202,856	129,230

14. Provisions

Employee entitlements:

Opening balance at 1 July	-	-	-	-
Increase in provision	13,884	-	13,884	-
Balance at 30 June	13,884	-	13,884	-

Share sale agreement:

Opening balance at 1 July	-	-	-	-
Increase in provision	81,843	-	-	-
Balance at 30 June	81,843	-	-	-
Total Provisions	95,727	-	13,884	-

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

Provision for Employee Entitlements

A provision has been recognised for employee entitlements relating to annual leave. The measurement and recognition criteria relating to employee benefits has been included in Note 1 to this report.

Provision for Share Sale Agreement

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

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
15. Financial Liabilities				
Financial liabilities	543,064	-	41,047	-
16. Issued Capital				
71,072,838 (2007: 52,260,942) fully paid ordinary shares	7,404,427	5,083,727	7,404,427	5,083,727
Less: Capital raising costs	(733,149)	(734,167)	(733,149)	(734,167)
Issued Capital	6,671,278	4,349,560	6,671,278	4,349,560

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

	No	No	No	No
Ordinary Shares				
At the beginning of reporting period	52,260,942	52,170,942	52,260,942	52,170,942
Shares issued during the year	18,145,096	-	18,145,096	-
Shares issued during the year on conversion of options	666,800	90,000	666,800	90,000
At reporting date	71,072,838	52,260,942	71,072,838	52,260,942

Fully Paid Ordinary Share Capital

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

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

(a) Options

The market price of the company's ordinary shares at 30 June 2008 was 11.5 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.

The difference between the total market value of options issued during the period, at the date of issue, and the total amount received from executives and employees is not recognised in the financial statements except for the purposes of determining directors' and executives' remuneration in respect of that period.

(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. 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 2008 and 30 June 2007 are as follows:

	Consolidated		Parent	
	2008	2007	2008	2007
	\$	\$	\$	\$
Cash and cash equivalents	1,966,361	3,027,592	1,500,338	3,026,798
Trade and other receivables	43,651	192,005	39,388	191,153
Trade and other payables	(290,052)	(137,608)	(202,856)	(129,230)
Working capital position	1,719,960	3,081,989	1,336,870	3,088,721

17. Reserves

Option Reserve

The option reserve records items recognized as expenses on the valuation of Director and Employee share options.

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

2008

MEC Resources Ltd

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
18. Cash Flow Information				
(a) Reconciliation of Cash Flow from Operations with Profit after income tax				
Operating loss after income tax	(433,939)	(765,217)	(456,251)	(757,728)
Non-cash flows in profit:				
Depreciation	2,376	110	2,376	110
Gain on disposal of investments	(828,048)	-	(805,736)	-
Write downs to recoverable amount	(14,821)	-	-	-
Share based payments	258,889	68,884	258,889	68,884
Changes in net assets and liabilities, net of effects of purchase and disposal of subsidiaries				
(Increase)/decrease in trade and term receivables	137,222	(140,481)	142,482	(139,629)
(Increase)/decrease in other assets	(45,944)	(649,112)	(11,442)	10,193
Increase/(decrease) in trade payables and accruals	50,469	87,256	72,728	78,878
Increase/(decrease) in provisions	13,884	-	-	-
Net cash flow from operating activities	(859,912)	(1,398,560)	(796,954)	(739,292)

(b) Acquisition of Entities

During the year 74% of the controlled entity Advent Energy Limited was acquired. Details of this transaction are:

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

2008

MEC Resources Ltd

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
Purchase consideration	3,285,062	-	3,285,062	-
Cash consideration	1,000,000	-	1,000,000	-
Amount due under contract of sale	2,285,062	-	2,285,062	-
Cash Outflow	1,000,000	-	1,000,000	-
Assets and liabilities held at acquisition date:				
Investment in controlled entity	-	-	3,285,062	-
Cash	466,022	-	-	-
Receivables	4,263	-	-	-
Investments	1,687,500	-	-	-
Capitalised exploration and evaluation expenditure	1,803,970	-	-	-
Payables	(169,039)	-	-	-
Loans from other entities	(507,654)	-	-	-
	3,285,062	-	-	-
Minority interest in acquisition	827,903	-	-	-
	4,112,965	-	-	-
(c) Disposal of entities				
During the year the controlled entity Asset Energy Proprietary Limited was sold. Aggregate details of this transaction are:				
Disposal price	660,062	-	-	-
Cash consideration	-	-	-	-
Assets and liabilities held at disposal date:				
Investment in controlled entity	-	-	660,062	-
Cash	554	-	-	-
Receivables	921	-	-	-
Intangibles	658,404	-	-	-
Loans from other entities	(22,189)	-	-	-
	637,690	-	-	-
Net gain on disposal	22,372	-	-	-

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

	Consolidated		Parent	
	2008 \$	2007 \$	2008 \$	2007 \$
d) Non cash investing and financing activities				
i) Sale of Asset Energy Pty Ltd				
During the year controlled entity (Asset Energy Proprietary Limited) was sold to Advent Energy Limited. MEC Resources Limited was issued 13,201,240 ordinary shares each with a value of 5c in Advent Energy Limited.	660,062	-	-	-
ii) Sale of Central Petroleum shares to Advent Energy Limited				
During the year MEC Resources sold a major portion of its interests in Central Petroleum Limited to Advent Energy Limited. MEC Resources was issued 32,500,000 ordinary shares each with a value of 5c in Advent Energy Limited.	1,625,000	-	-	-

19. Financial Risk Management

a) Financial Risk Management

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

i. Financial Risk Exposures and Management

The main risks the group is exposed to through its financial instruments are interest rate risk, liquidity risk and credit 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 balance sheet 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.

The economic entity does not have any material credit risk exposure to any single receivable or

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

group of receivables under financial instruments entered into by the economic entity.

(b) Financial Instruments

i. Interest rate risk

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

Consolidated Group

2008	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
<i>Financial Assets</i>				
Cash and cash equivalents	3.85%	1,966,361	-	1,966,361
Trade and other receivables	-	-	43,651	43,651
Other Financial Assets	-	-	2,426,609	2,426,609
		1,966,361	2,470,260	4,436,621
<i>Financial Liabilities</i>				
Trade and sundry Payables	-	-	290,052	290,052
Other loans	-	-	543,064	543,064
<hr/>				
2007	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
<i>Financial Assets</i>				
Cash and cash equivalents	5.75	3,027,592	-	3,027,592
Trade and other receivables	-	-	192,005	192,005
Other Financial Assets	-	-	148,360	148,360
		3,027,592	340,365	3,367,957
<i>Financial Liabilities</i>				
Trade and sundry Payables	-	-	137,608	137,608

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

2008

MEC Resources Ltd

Parent Entity				
	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
2008				
<i>Financial Assets</i>				
Cash and cash equivalents	3.85%	1,500,338	-	1,500,338
Trade and other receivables	-	-	39,388	39,388
Other Financial Assets	-	-	4,029,809	4,029,809
		1,500,338	4,069,197	5,569,535
<i>Financial Liabilities</i>				
Trade and sundry Payables	-	-	202,856	202,856
Other loans	-	-	41,047	41,047
2007				
	Effective Average Interest Rate Payable %	Floating Interest Rate \$	Non- Interest Bearing \$	Total \$
<i>Financial Assets</i>				
Cash and cash equivalents	5.75	3,026,798	-	3,026,798
Trade and other receivables	-	-	191,153	191,153
Other Financial Assets	-	-	808,422	808,422
		3,026,798	999,575	4,026,373
<i>Financial Liabilities</i>				
Trade and sundry Payables	-	-	129,230	129,230

ii. Net Fair Values

The net 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, adjusted for transaction costs expected to be incurred. For unlisted investments where there is no organised financial market, the net fair value has been based on a reasonable estimation of the underlying net assets or discounted cash flows of the investment.
- 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.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

Financial assets where the carrying amount exceeds net fair values have not been written down as the economic entity intends to hold these assets to maturity. Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2008		2007	
	Carrying Amount	Net Fair Value	Carrying Amount	Net Fair Value
Financial Assets				
Available-for-sale financial assets at fair value	2,385,911	2,385,911	148,360	148,360
Held-to-maturity financial assets	-	-	-	-
Derivative financial assets	-	-	-	-
Loans and receivables	84,349	84,349	192,005	192,005
	<u>2,470,260</u>	<u>2,470,260</u>	<u>340,365</u>	<u>340,365</u>
Financial Liabilities				
Debentures	-	-	-	-
Bills of exchange and promissory notes	-	-	-	-
Other loans and amounts due	543,064	543,064	-	-
Converting and redeemable preference shares	-	-	-	-
Other liabilities	290,052	290,052	137,608	137,608
	<u>833,116</u>	<u>833,116</u>	<u>137,608</u>	<u>137,608</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

Interest Rate Sensitivity Analysis

At 30 June 2008, the effect on profit and equity as a result of changes in the interest rate, with all other variables remaining constant would be as follows:

	Consolidated Group		Parent Entity	
	2008	2007	2008	2007
Change in profit				
— Increase in interest rate by 1%	19,664	30,276	15,003	30,268
— Decrease in interest rate by 0.5%	(9,832)	(15,138)	(7,502)	(15,134)
Change in Equity				
— Increase in interest rate by 1%	19,664	30,276	15,003	30,268
— Decrease in interest rate by 0.5%	9,832	(15,138)	(7,502)	(15,134)

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

20. Segment Information

MEC Resources Ltd operates predominantly in one industry, namely investments in the mining and resources. These activities are predominantly in Australia.

21. Events after the Balance Sheet Date

MEC Resources Limited announced a Non Renounceable Rights Issue to Shareholders on 27 June 2008. This issue gave Shareholders the right to apply for one fully paid share for every share held at the record date for a subscription price of 5 cents. In addition to this Shareholders received three free attaching options for every two shares issued pursuant to the Rights Issue.

The Issue closed on the 30th July 2008. A total of 34,825,125 fully paid shares and 52,237,637 free attaching options were allotted to Shareholders on the 7th August 2008. The total proceeds raised were \$1,741,256.

A review of the market value of MEC group's investments in other listed entities has been performed at the reporting date. An unrealised loss of \$1,393,261 on the carrying value of these investments has been noted. The movement in these assets is wholly attributable to the recent fluctuations of the share market.

22. Related Party Transactions

(a) Directors' Remuneration

Details of directors' remuneration and retirement benefits are disclosed in note 4 to the financial statements.

(b) Directors' Equity Holdings

	Parent	
	2008	2007
	\$	\$
<i>Ordinary Shares</i>		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	26,021,746	15,254,401
Advent Energy Ltd	7,000,000	-
<i>Other Equity Instruments</i>		
Listed Options		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	-	12,055,169
Unlisted Options		
Held as at the date of this report by directors and their director-related entities in:		
MEC Resources Ltd	9,000,000	9,000,000

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

(c) *Related entities*

An annual service fee of \$216,000 was paid to Grandbridge Ltd.

23. Controlled Entities

Name of Entity	Principal Activity	Country of Incorporation	Ownership Interest %	
			2008	2007
Parent Entity MEC Resources Limited	Investment	Australia		
Subsidiaries of MEC Resources Ltd Advent Energy Limited	Oil and Gas exploration and development	Australia	74.00	-
Asset Energy Proprietary Limited	Oil and Gas exploration and development	Australia	74.00	100

a) Acquisition of controlled entities

On 30 June 2008 the parent entity acquired 74% of Advent Energy Limited and its controlled entity, Asset Energy Proprietary Limited, with MEC Resources Limited entitled to all profits earned from 30 June 2008 for a purchase consideration of \$3,285,062.

b) Disposal of controlled entities

On the 30 June 2008, the parent entity disposed of its 100% interest in Asset Energy Proprietary Limited. An operating loss of \$14,883 after income tax was attributable to members of the parent entity from the disposal.

24. Share-Based Payments

The following share-based payment arrangements existed at 30 June 2008:

On 1st June 2008, share options were granted to employees of MEC Resources Limited under the MEC Resources Employee Incentive Scheme. The options entitle employees to take up ordinary shares at an exercise price of \$0.15 each. The options are vesting until 1st June 2009 at which point one third will be able to be exercised. The options hold no voting or dividend rights and are not transferable.

On 30th June 2008 Hock Goh was granted 3,100,096 shares in the Company as payment for his services as Chairman of the board of Directors of MEC Resources Limited.

At balance date, no share option has been exercised.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

All options granted to key management personnel are ordinary shares in MEC Resources Limited, which confer a right of one ordinary share for every option held.

	Consolidated Group				Parent Entity			
	2008		2007		2008		2007	
	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$	Number of Options	Weighted Average Exercise Price \$
Outstanding at the beginning of the year	21,055,169	-	-	-	21,055,169	-	-	-
Granted	2,150,000	0.15	-	-	2,150,000	0.15	-	-
Granted	1,000,000	0.20	-	-	1,000,000	0.20	-	-
Forfeited	-	-	-	-	-	-	-	-
Exercised	-	-	-	-	-	-	-	-
Expired	12,055,169	-	-	-	12,055,169	-	-	-
Outstanding at year-end	12,150,000	-	-	-	12,150,000	-	-	-
Exercisable at year-end	1,716,667	-	-	-	1,716,667	-	-	-

No options exercised during the year ended 30th June 2008.

The weighted average fair value of the options granted during the year was \$65,360.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.0304
Weighted average life of the option	60 months
Underlying share price	\$0.064
Expected share price volatility	90%
Risk free interest rate	7.25%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

The weighted average fair value of the options granted during the year was \$3,000.

This price was calculated by using a Black-Scholes option pricing model applying the following inputs:

Weighted average exercise price	\$0.003
Weighted average life of the option	9.5months
Underlying share price	\$0.063
Expected share price volatility	90%
Risk free interest rate	7.25%

Historical volatility has been the basis for determining expected share price volatility as it is assumed that this is indicative of future tender, which may not eventuate.

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

The life of the options is based on the historical exercise patterns, which may not eventuate in the future.

Included under employee benefits expense in the income statement is \$321,842 (2007: \$nil), and relates in full to equity.

25. Changes in Accounting Policies

The following Australian Accounting Standards have been issued or amended and are applicable to the parent and consolidated group but are not yet effective. They have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group
AASB 2007-3 Amendment to Australian Accounting Standards	AASB 5 AASB 6 AASB 102 AASB 107 AASB 119 AASB 127 AASB 134 AASB 136 AASB 1023 AASB 1038	Non-current Assets Held for Sale and Discontinued Operations Exploration for and Evaluation of Mineral Inventories Cash Flow Statements Employee Benefits Consolidated and Separate Financial Statements Interim Financial Reporting Impairment of Assets General Insurance Contracts Life Insurance Contracts	The disclosure requirements of AASB 114: Segment Reporting have been replaced due to the issuing of AASB 8: Operating Segments in February 2007. These amendments will involve changes to segment reporting disclosures within the financial report. However, it is anticipated there will be no direct impact on recognition and measurement criteria amounts included in the financial report	1.1.2009 1.7.2009
AASB 8 Operating Segments	AASB 114	Segment Reporting	As above	1.1.2009 1.7.2009

Notes to the Consolidated Financial Statements for the year ended 30 June 2008

MEC Resources Ltd

AASB Amendment	Standards Affected	Outline of Amendment	Application Date of Standard	Application Date for Group	
AASB 2007-6 Amendments to Australian Accounting Standards	AASB 1	First time adoption of AIFRS	The revised AASB 123: Borrowing Costs issued in June 2007 has removed the option to expense all borrowing costs. This amendment will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. However, there will be no direct impact to the amounts included in the financial group as they already capitalise borrowing costs related to qualifying assets.	1.1.2009	1.7.2009
	AASB 101	Presentation of Financial Statements			
	AASB 107	Cash Flow Statements			
	AASB 111	Construction Contracts			
	AASB 116	Property, Plant and Equipment			
	AASB 138	Intangible Assets			
AASB 123 Borrowing Costs	AASB 123	Borrowing Costs	As above	1.1.2009	1.7.2009
AASB 2007-8 Amendments to Australian Accounting Standards	AASB 101	Presentation of Financial Statements	The revised AASB 101: Presentation of Financial Statements issued in September 2007 requires the presentation of a statement of comprehensive income.	1.1.2009	1.7.2009
AASB 101	AASB 101	Presentation of Financial Statements	As above	1.1.2009	1.7.2009

Directors Declaration

MEC Resources Ltd

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 18 to 48, 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 2008 and of the performance for the year ended on that date of the company and economic entity;
2. the Chief Executive Officer and Chief Finance Officer have each declared that:
 - (a) the financial records of the company for the financial year have been properly maintained in accordance with section 286 of the Corporations Act 2001;
 - (b) the financial statements and notes for the financial year comply with the Accounting Standards; and
 - (c) the financial statements and notes for the financial year give a true and fair view.
3. 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.

This declaration is made in accordance with a resolution of the Board of Directors.

Director



.....
David Breeze
Executive Director

Dated this 27th Day of August 2008

Independent Audit Report

To the Members of MEC Resources Limited

We have audited the accompanying financial report of MEC Resources Limited (the company) and MEC Resources Limited and Controlled Entities (the consolidated entity), which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of directors and executives (remuneration disclosures), required by Accounting Standard AASB 124: Related Party Disclosures, under the heading 'Remuneration Report' in page 5 to 9 of the directors' report and not in the financial report.

Directors Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standards AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report, comprising the financial statements and notes, complies with IFRS.

The directors also are responsible for preparation and presentation of the remuneration disclosures contained in the directors' report in accordance with the Corporations Regulations 2001.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report and the remuneration disclosures in the directors' report.

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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Auditor's Opinion

In our opinion:

- a. The financial report of MEC Resources Limited and MEC Resources Limited and its Controlled Entities is in accordance with the Corporations Act 2001, including:
 - i. giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2008 and of their performance for the year ended on that date; and
 - ii. complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and
- b. The financial report also complies with International Financial Reporting Standards as disclosed in Note 1.
- c. the remuneration disclosures that are contained in pages 5 to 9 of the directors' report comply with Accounting Standard AASB 124.



BENTLEYS
Chartered Accountants



RANKO MATIĆ
Director

DATED at PERTH this 27th day of August 2008

Additional Securities Exchange Information

MEC Resources Ltd

Additional information required by Australian Securities Exchange Limited and not shown elsewhere in this report as follows.

The information is made up to 22nd August 2008.

1. Substantial Shareholder

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

Shareholder	Shares	%
David Breeze	10,044,304	9.31

2. Distribution of Shareholders

Range of Holding	Shareholders	Number Ordinary Shares	%
1 – 1,000	257	160,650	0.15
1,001 – 5,000	115	345,440	0.32
5,001 – 10,000	373	3,639,919	3.37
10,001 – 100,000	931	35,353,069	32.77
100,001 and over	152	68,398,885	63.39
	1,828	107,897,963	100.00

3. (a) Distribution of Listed Optionholders

Range of Holding	Optionholders	Number Ordinary Shares	%
1 – 1,000	24	12,150	0.02
1,001 – 5,000	23	48,890	0.09
5,001 – 10,000	25	172,695	0.33
10,001 – 100,000	341	13,132,501	25.14
100,001 and over	99	38,871,458	74.41
	512	52,237,694	100.00

3. (b) Distribution of Unlisted Optionholders

Range of Holding	Optionholders	Number of Options	%
10,001 to 100,000	3	150,000	1.30
100,001 and over	9	12,000,000	98.7
	12	12,150,000	100.00

Additional Securities Exchange Information

MEC Resources Ltd

4. Voting Rights - Shares

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

5. Voting Rights - Options

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

6. Restricted Securities

Shares - Number of Shares free of escrow 107,897,963

Total Shares 107,897,763

Options

Number of Employee options not subject to Escrow (exercisable at \$0.21) (Not Listed) 9,000,000

Total Options 9,000,000

7. Twenty Largest Shareholders

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
D Breeze	10,044,304	9.31
Grandbridge Ltd	9,747,362	9.03
H Goh	6,200,192	5.75
K O Yap	4,000,000	3.71
Hebex Pty Ltd	3,900,000	3.61
C T Lim	3,395,000	3.15
S K Yap	2,382,250	2.21
D G Ming	2,000,000	1.85
C A Batts	560,000	0.52
A B Websdale	500,000	0.46
Lewis Securities Ltd	484,834	0.45
M & J F Birch Lawrence	425,500	0.39
I Sargent	400,000	0.37
B L & P Lee	364,500	0.34
Mac Tech Australia Pty Ltd	350,000	0.32
D Scanlon	323,000	0.30
M MCColl	316,500	0.29
Stanley Nominees Pty Ltd	314,446	0.29
J Sykes	300,000	0.28
P K & A C M Chin	300,000	0.28
	46,307,888	42.91

Additional Securities Exchange Information

MEC Resources Ltd

8. Twenty Largest 31 December 2007 Listed Option Holders (as at 22 August 2008)

The names of the twenty largest listed Option Holders of the company are:

Name	Number of listed options	% held of issued ordinary capital
Trandcorp Pty Ltd	7,533,228	14.42
Grandbridge Ltd	7,310,522	13.99
H Goh	4,650,144	8.90
K O Yap	3,000,000	5.74
C T Lim	2,062,500	3.95
C A Batts	420,000	0.80
Lewis Securities Ltd	363,626	0.70
M & J F Birch Lawrence	319,125	0.61
I Sargent	300,000	0.57
B L and P Lee	273,375	0.52
D Scanlon	242,250	0.46
Madam Biau Luan Tan	228,000	0.44
J & F Sykes	225,000	0.43
P K & A C M Chin	225,000	0.43
G R Lyon	205,500	0.39
G C & D A Morgan	200,000	0.38
Sledmont Pty Ltd	198,750	0.38
L W Spinks	196,500	0.38
C A & R E Batts	192,000	0.37
D Gordon	187,500	0.36
	28,333,020	54.22