

Appendix 4D -Half year report

Results for announcement to the market

Name of Entity	MEC Resources Limited
ABN	44 113 900 020
Half Year Ended	31 December 2012
Previous Corresponding Reporting Period	31 December 2011

\$A'000

Revenues from ordinary activities	down	57%	to	101
(Loss) from ordinary activities after tax attributable to members	down	94%	to	(498)
Net (loss) for the period attributable to members	down	94%	to	(498)
Dividends (distributions)	Amount per security	Franked amount per security		
Final dividend	Nil	Nil		
Interim dividend				
Previous corresponding period	N/A	N/A		

Please refer to attached accounts for commentary on the results

Other notes to the condensed financial statements

Ratios	Current period	Previous corresponding Period
Loss before tax / revenue Consolidated (loss) from ordinary activities before tax as a percentage of revenue	(493.18)%	(3610)%
Loss after tax / equity interests Consolidated net (loss) from ordinary activities after tax attributable to members as a percentage of equity (similarly attributable) at the end of the period	(2.0)%	(33.85)%

NTA Backing	Current period	Previous corresponding Period
Net tangible asset backing per ordinary security	23.2 cps	24.2 cps

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MEC Resources Ltd and its controlled entities

The operating loss for the consolidated entity after tax for the year ended 31 December 2012 was \$741,306 (2011: \$8,656,793).

The net assets of the consolidated entity have decreased by \$675,825 to \$36,047,718 at 31 December 2012.

Developments during the year included:

- During the period BPH investee Advent Energy Limited entered into a data sharing and land access agreement with Beach Energy Ltd. The agreement was reached in relation to Beach's intended acquisition of airborne gravity and aeromagnetic data, and the resultant sharing of that data, in the onshore Bonaparte Basin.
- MEC Investee Advent Energy Ltd confirmed the renewal of key offshore Sydney Basin permit Petroleum Exploration Permit 11 for a further 5 year term. The renewal was formally granted on 13 August 2012.
- MEC investee Advent Energy re-entered Waggon Creek-1 located within EP386, and 10km from Vienta-1, for the purpose of recompletion and production testing in 2011. The well was flowed for 6 hours before operations were suspended for the northern wet season. Advent Energy concluded the production testing program on Waggon Creek-1 during 2012. The testing produced gas flows of up to 26,370m³ (0.96 MMscf) per day without production of formation water. Comparison of gas compositions of samples obtained from the 2011 perforated zones and the recent 2012 perforated zones indicates a potential single gas column of over 217 metres between the top and bottom perforated zones. This provides a significant gas resource upside in this stratigraphic trap should Advent Energy successfully identify areas within the interpreted Waggon Creek gas accumulation of thicker reservoir development. Further investigative work could refine this upside potential.
- In September 2012, Advent Energy advised that, following an extensive review of all available data, it had increased the volumetric estimates of conventional prospective recoverable resources in EP386 in the onshore Bonaparte Basin, northern Western Australia. New prospective recoverable resources of between 53.3 Billion Cubic Feet (Bcf) (Low Estimate) and 1,326.3 Bcf (High Estimate) were assessed for the conventional hydrocarbon prospectivity within EP386. This is in addition to the considerable unconventional (shale) gas resources previously identified in EP386 and RL1.

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Company Information

Directors

H Goh – Non-Executive Chairman
D L Breeze – Executive Director
K O Yap – Non-Executive Director
D Ambrosini – Executive Director

Company Secretary

Deborah Ambrosini

Registered Office

14 View Street
NORTH PERTH WA 6006

Principal Business Address

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NORTH PERTH WA 6006
Telephone: (08) 9328 8400
Facsimile: (08) 9328 8733
Website: www.mecresources.com.au
E-mail: admin@mecresources.com.au

Auditor

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

Share Registry

Security Transfer Registrars Pty Ltd
770 Canning Highway
APPLECROSS WA 6153

Australian Stock Exchange Listing

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

Australian Business Number

44 113 900 020

Directors' Report (continued)

MEC Resources Ltd and its controlled entities

The directors of MEC Resources Ltd ("**MEC Resources**") submit herewith the financial report for the half year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Directors

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

H Goh

D L Breeze

K O Yap

D Ambrosini

Review of Operations

- Operating loss for the entity after tax for the half-year ended 31 December 2012 was \$741,306 (2011: \$8,656,793).
- During the period MEC investee Advent Energy Limited entered into a data sharing and land access agreement with Beach Energy Ltd. The agreement was reached in relation to Beach's intended acquisition of airborne gravity and aeromagnetic data, and the resultant sharing of that data, in the onshore Bonaparte Basin including within RL1 and a portion of EP386.
- MEC Investee Advent Energy Ltd confirmed the renewal of key offshore Sydney Basin permit Petroleum Exploration Permit 11 for a further 5 year term. The renewal was formally granted on 13 August 2012.
- MEC investee Advent Energy re-entered Waggon Creek-1 located within EP386, and 10km from Vienta-1, for the purpose of recompletion and production testing in 2011. The well was flowed for 6 hours before operations were suspended for the northern wet season. Advent Energy concluded the production testing program on Waggon Creek-1 during 2012. The testing produced gas flows of up to 26,370m³ (0.96 MMscf) per day without production of formation water. Comparison of gas compositions of samples obtained from the 2011 perforated zones and the recent 2012 perforated zones indicates a potential single gas column of over 217 metres between the top and bottom perforated zones. This provides a significant gas resource upside in this stratigraphic trap should Advent Energy successfully identify areas within the interpreted Waggon Creek gas accumulation of thicker reservoir development. Further investigative work could refine this upside potential.
- In September 2012, Advent Energy advised that, following an extensive review of all available data, it had increased the volumetric estimates of conventional prospective recoverable resources in EP386 in the onshore Bonaparte Basin, northern Western Australia. New prospective recoverable resources of between 53.3 Billion Cubic Feet (Bcf) (Low Estimate) and 1,326.3 Bcf (High Estimate) were assessed for the conventional hydrocarbon prospectivity within EP386. This is in addition to the considerable unconventional (shale) gas resources previously identified in EP386 and RL1.

Directors' Report (continued)

MEC Resources Ltd and its controlled entities

Subsequent Events

Other than referred to in note 9 of these financial accounts there have not been any matters or circumstance that have arisen since the end of the period, that have significantly affected, or may significantly affect, the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years.

Dividends

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

Auditor's Independence

The directors received a declaration of independence from the auditor. This is included in the financial report on page 3.

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'D. Breeze' with a stylized flourish at the end.

D L Breeze
Executive Director
PERTH, 8 February 2013

Auditor's independent declaration under section 307C of the Corporations Act 2001

To the directors of MEC Resources Limited

I declare that, to the best of my knowledge and belief, in relation to the review for the half year ended 31 December 2012, there have been:

- (i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the review.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani B.Eng, CA
Director

Perth
8 February 2013

Directors' Declaration

MEC Resources Ltd and its controlled entities

The directors declare that:

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

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

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'D L Breeze'.

D L Breeze
Executive Director
PERTH, 8 February 2013

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income for the half year ended 31 December 2012

MEC Resources Ltd and its controlled entities

		Consolidated	
	Note	31 December 2012	31 December 2011
		\$	\$
Revenue			
Revenue from ordinary activities	4	101,051	233,725
Other gains/(losses)	4	426,873	(7,868,265)
Administration expenses		(123,493)	(124,132)
Consulting and legal expenses		(369,951)	111,361
Management services expense		(182,193)	(173,520)
Employee Benefits expense		(321,604)	(409,777)
Share of gains and losses in associate		-	(33,989)
Interest expense		(2,631)	(22,647)
Insurance expenditure		(23,516)	(27,138)
Other expenses		(137,537)	(254,450)
Traveling expense		(108,305)	(87,961)
Loss before income tax		(741,306)	(8,656,793)
Income tax expense		-	-
Loss from continuing operations		(741,306)	(8,656,793)
Other Comprehensive Income		-	-
Total Comprehensive Income for the period		(741,306)	(8,656,793)
Loss attributable to non-controlling interest		(242,940)	(218,541)
Loss attributable to members of the parent entity		(498,366)	(8,438,252)
Total Comprehensive Income attributable to non-controlling interest		(242,940)	(218,541)
Total Comprehensive Income attributable to parent		(498,366)	(8,438,252)
Earnings Per Share -			
Basic and Diluted (cents per share)		(0.32)	(5.41)

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Financial Position as at 31 December 2012

MEC Resources Ltd and its controlled entities

	Note	Consolidated	
		31 December 2012	30 June 2012
		\$	\$
Current Assets			
Cash and cash equivalents	5	5,393,958	7,033,662
Trade receivables		178,930	126,116
Financial assets	10	44,867	44,867
Other current assets		47,461	29,529
Total Current Assets		5,665,216	7,234,174
Non-Current Assets			
Other non-current assets		22,673	22,673
Evaluation and exploration costs	11	32,263,797	31,694,213
Financial Assets	10	1,427,425	1,000,552
Property, plant & equipment		10,497	12,436
Total Non-Current Assets		33,724,392	32,729,874
Total Assets		39,389,608	39,964,048
Current Liabilities			
Trade and other payables		2,729,266	2,701,145
Financial Liabilities	12	504,556	416,889
Short-term provisions		102,101	117,241
Total Current Liabilities		3,335,923	3,235,275
Non-Current Liabilities			
Provisions		5,967	5,230
Total Non-Current Liabilities		5,967	5,230
Total Liabilities		3,341,890	3,240,505
Net Assets		36,047,718	36,723,543
Equity			
Issued capital	6	24,922,466	24,922,466
Option Reserve		417,327	385,196
Accumulated losses		(20,153,906)	(19,655,540)
Total Equity Attributable to Owners		5,185,887	5,652,122
Non-controlling Interest		30,861,831	31,071,421
Total Equity		36,047,718	36,723,543

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Changes in Equity for the half year ended 31 December 2012

MEC Resources Ltd and its controlled entities

Consolidated	Ordinary Share Capital \$	Accumulated losses \$	Options \$	Total attributable to owners \$	Non- Controlling Interest \$	Total Equity \$
Balance at 1 July 2011	24,920,661	(10,476,815)	262,690	14,706,536	31,427,083	46,133,619
Loss attributable to members of the consolidated entity	-	(8,438,252)	-	(8,438,252)	(218,541)	(8,656,793)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(8,438,252)	-	(8,438,252)	(218,541)	(8,656,793)
Options exercised during the financial period	1,804	-	-	1,804	-	1,804
Options issued during the financial period	-	-	72,880	72,880	55,748	128,628
Balance at the half year ended 31 December 2011	24,922,465	(18,915,067)	335,570	6,342,968	31,264,290	37,607,258
Balance at 1 July 2012	24,922,466	(19,655,540)	385,196	5,652,122	31,071,421	36,723,543
Loss attributable to members of the consolidated entity	-	(498,366)	-	(498,366)	(242,940)	(741,306)
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	(498,366)	-	(498,366)	(242,940)	(741,306)
Options issued during the financial period	-	-	32,131	32,131	33,350	65,481
Balance at the half year ended 31 December 2012	24,922,466	(20,153,906)	417,327	5,185,887	30,861,831	36,047,718

The accompanying notes form part of these financial statements.

Condensed Consolidated Statement of Cash Flows for the half year ended 31 December 2012

MEC Resources Ltd and its controlled entities

		Consolidated	
	Note	31 December 2012 \$	31 December 2011 \$
<i>Cash Flows From Operating Activities</i>			
Payments to suppliers and employees		(1,170,443)	(1,268,192)
Interest received		101,051	233,725
Net cash used in operating activities		(1,069,392)	(1,034,467)
<i>Cash Flows From Investing Activities</i>			
Payment for Property, Plant and Equipment		(728)	(6,383)
Amounts loaned to other entities		-	(1,853,731)
Payment for investments		-	1,350,000
Deferred exploration costs		(569,584)	(2,150,340)
Net cash used in investing activities		(570,312)	(2,660,454)
<i>Cash Flows From Financing Activities</i>			
Proceeds from share issue		-	1,500
Net cash provided by financing activities		-	1,500
<i>Net decrease in Cash Held</i>		(1,639,704)	(3,693,421)
<i>Cash At the Beginning Of The Period</i>		7,033,662	12,415,165
<i>Cash At The End Of The Period</i>	5	5,393,958	8,721,744

The accompanying notes form part of these financial statements

1. CORPORATE INFORMATION

The financial report of MEC Resources Ltd (the company) and its controlled entities for the half-year ended 31 December 2012 was authorised for issue in accordance with a resolution of the directors on 8 February 2013.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Statement of Compliance

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

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

The half-year financial report should be read in conjunction with the Annual Financial Report of MEC Resources Ltd as at 30 June 2012.

For the purpose of preparing the half-year financial report, the half-year has been treated as a discrete reporting period.

It is also recommended that the half-year financial report be considered together with any public announcements made by MEC Resources Ltd and its controlled entities during the half-year ended 31 December 2012 in accordance with the continuous disclosure obligations arising under the Corporations Act 2001 and the ASX Listing Rules.

(a) Basis of Preparation

Reporting Basis and Conventions

The half-year report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

(b) Significant Accounting Policies

The half-year condensed consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2012, except for the impact of the standards interpretations below in Note 2(c). The accounting policies are consistent with Australian Accounting Standards and with International Reporting Standards.

(c) New Standards and Interpretations

In the half-year ended 31 December 2012, the Group has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2012.

It has been determined by the Group that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Group accounting policies.

The Group has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2012. Management are in the process of assessing the impact of the adoption of these standards and interpretations on the consolidated entity.

3. SEGMENT INFORMATION

Identification of reportable segments

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

The operating segments are identified by management based on their investment in exploration companies. Discrete financial information about each of these operating segments is reported to the managing director and his management team on at least a monthly basis. Currently, management's focus is on the exploration program of Advent Energy projects PEP 11 and EP 386/RL1.

The group operates predominantly in one industry, namely investments in the mining and resources. These activities are predominantly in Australia.

Accounting policies and inter-segment transactions

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

4. REVENUE, INCOME AND EXPENSES

	Consolidated	
	31 December 2012 \$	31 December 2011 \$
<i>Revenue</i>		
Consulting Fees	671	958
Interest revenue : other entities	100,380	232,767
<i>Total revenue</i>	101,051	233,725
<i>Other gains and losses</i>		
Net gain/loss on financial assets designated as fair value through profit and loss	426,873	(38,740)
Losses on disposal of associate	-	(7,829,525)
	426,873	(7,868,265)

5. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 December 2012 \$	30 June 2012 \$
For the purpose of the half-year condensed consolidated statement of cash flows, cash and cash equivalents are comprised of the following:		
Cash at bank and in hand	5,393,958	7,033,662
	5,393,958	7,033,662

6. CONTRIBUTED EQUITY

	Consolidated	
	31 December 2012 \$	30 June 2012 \$
Ordinary shares (i)	25,952,615	25,952,615
Less :Capital Raising Costs	(1,030,149)	(1,030,149)
	<u>24,922,466</u>	<u>24,922,466</u>

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

	Number	\$
Movement in ordinary shares on issue		
As at 1 July 2012	155,813,150	24,922,466
Conversion of options	-	-
Balance as at 31 December 2012	<u>155,813,150</u>	<u>24,922,466</u>

7. CONTINGENT LIABILITIES

A claim for outstanding service fees has been brought against Asset Energy Pty Ltd ("Asset") by Fugro Survey Pty Ltd ("Fugro") in relation to the pre drilling site survey conducted in PEP 11 in 2010. The case is currently in pre trial preparation stages. It is anticipated that the claim will be heard before the Western Australian courts in the third quarter of 2013.

The claim is being vigorously defended by Asset and a counterclaim for the cost of drilling the New Seaclem -1 well has been lodged. The total value of the invoice outstanding has been provided for in the consolidated accounts.

8. COMMITMENTS

Capital Commitments

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

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

	Consolidated	
	31 December 2012 \$	30 June 2012 \$
Work Program Commitments – Exploration permits		
Payable:		
Within one year	212,500	418,979
Greater than one year less than five years	20,688,500	20,522,500
Total	<u>20,901,000</u>	<u>20,941,479</u>

9. EVENTS AFTER THE BALANCE DATE

There have not been any matters or circumstances that have arisen since the end of the half year, that have significantly affected, or may significantly affect, the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

10. FINANCIAL ASSETS

Current

Loan receivable – Grandbridge Limited

Total

Non current

Fair Value through Profit and Loss
Financial Assets

Investment in Central Petroleum Ltd

Investment in BPH Energy Ltd

Available for sale financial assets

Investment in Molecular Discovery
Systems Ltd

Consolidated	
31 December 2012 \$	30 June 2012 \$
44,867	44,867
44,867	44,867
926,532	686,418
430,982	244,223
69,911	69,911
1,427,425	1,000,552

11. CAPITALISED EXPLORATION COSTS

Exploration expenditure capitalised

Exploration and evaluation phases

Consolidated	
31 December 2012 \$	30 June 2012 \$
32,263,797	31,694,213
32,263,797	31,694,213

	Consolidated	
	31 December 2012 \$	30 June 2012 \$
11. CAPITALISED EXPLORATION COSTS (CONTINUED)		
Reconciliation of movement during the year		
Opening balance at 1 July	31,694,213	29,505,867
Capitalised expenditure – EP 325	3,818	4,980
Capitalised expenditure – PEP 11	396	920
Capitalised expenditure – EP 386	565,370	2,182,446
Closing balance	32,263,797	31,694,213

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

12. FINANCIAL LIABILITIES

Loans payable		
Loan from BPH Energy Limited (i)	41,935	41,935
Loan from Grandbridge Limited (i)	461,263	373,596
Loans from other entities (i)	1,358	1,358
	504,556	416,889

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

Independent Auditor's Review Report to the members of MEC Resources Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of MEC Resources Limited and its controlled entities (the "Group"), which comprises the condensed consolidated statement of financial position as at 31 December 2012, the condensed consolidated statement of profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the half-year ended on that date, other selected explanatory notes and the directors' declaration of the Group comprising the Company and the entities it controlled at the half-year end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the Group are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards, including the Australian Accounting Interpretations, and the *Corporations Act 2001*. This responsibility includes: establishing and maintaining internal controls relevant to the preparation and fair presentation of the half-year 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.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 31 December 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of MEC Resources Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Nexia Perth Audit Services Pty Ltd

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Conclusion

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

- (a) giving a true and fair view of the Group's financial position as at 31 December 2012 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

NPAS

Nexia Perth Audit Services Pty Ltd

Amar Nathwani

Amar Nathwani B.Eng, CA
Director

Perth 8 February 2013