



16 May 2017

Australian Securities Exchange
10th Floor, 20 Bridge Street
SYDNEY NSW 2000

via e-lodgement

Dear Sir/Madam

WITHDRAWAL OF SECTION 249F NOTICE BY GRANDBRIDGE LIMITED AND PARTIES ASSOCIATED WITH MR DAVID BREEZE; RESPONSE TO GRANDBRIDGE LIMITED'S ANNOUNCEMENT DATED 15 MAY 2017

Withdrawal of Notice purportedly issued under Section 249F of the *Corporations Act 2001*

MEC Resources Limited ACN 113 900 020 (ASX: MMR) (**Company**) is pleased to advise its Shareholders that the notice purporting to convene a third extraordinary general meeting (**EGM**) of the Company to be held on 29 June 2017 for the purpose of considering and voting upon resolutions rejected at the Company's EGMs held on 16 February 2017 and 9 March 2017 has been withdrawn by Grandbridge Limited (**GBA**) (a company controlled by Mr David Breeze) (ASX: GBA) and his associated parties (**Convening Shareholders**).

The withdrawal of the Section 249F Notice follows correspondence to the Convening Shareholders' representatives regarding what the Company considered were deficiencies in the purported attempt to convene a third EGM and the lack of a proper purpose in purporting to do so.

Response to Grandbridge Limited's announcement dated 16 May 2017

GBA's statement today incorrectly asserts that the Company's Offer Document (attached to the Company's announcement of 23 March 2017) allegedly did not disclose certain matters (referred in the statement), and made a further claim about the dilutive effect of the recent Rights Issue to shareholders.

Complaint about rights issue

Shareholders will recall that a similar complaint was recently raised with the Takeovers Panel by Mr Breeze and his associates.

As advised to the ASX, the Takeovers Panel chose not to conduct proceedings, for the reasons stated in the Takeovers Panel's reasons for decision available from its website.

The Company is seeking legal advice regarding these repeated unwarranted and obstructive actions by Mr Breeze and his associates which interfere with the Company's normal business activities and continue to cause the Company expense.

MMR – A Pooled Development Fund

As was stated in the Company's announcement made on 14 March 2017 the Company is a Pooled Development Fund (**PDF**) and is subject to the requirements of the *Pooled Development Funds Act 1992* (Cth) (**Act**).

A PDF may only invest 30% of its shareholder funds in any particular investee (**30% restriction**). This information has been previously disclosed to the market and was also explained in Section 8 of the Company's prospectus released to the market on 29 March 2006.

MEC Resources Ltd

ACN 113 900 020

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Innovation and venture capital programmes delivered by AusIndustry under the Act are administered by the Venture Capital Board of Innovation and Science Australia (formerly Innovation Australia).

On 25 June 2013 the Company was granted a 2 year exemption to the 30% restriction by the Venture Capital Board. The exemption allowed the Company to invest an additional \$1.5M over and above the 30% restriction.

The exemption was not utilised in the 2 year time frame and an extension to this exemption was sought in 2015. On 5 August 2015 a further 2 year exemption was provided (which expires on 5 August 2017).

The exemption (as extended) remains un-utilised as at the date of this announcement and is available until 5 August 2017 (without further extension).

On 24 March 2017 the Company lodged a request for a further extension of the current exemption. The Company expects a decision on the request for a further extension after the Venture Capital Board meets, but no date for a decision has been provided. The Company will update the market once a decision has been received.

The Company's investment in Advent Energy Limited (**Advent**) is currently less than 30% of shareholder funds and the Company has not utilised the exemption.

The Company is in compliance with the Act.

If the further extension of the exemption is granted and the Company fully places the remaining shortfall following the recent Rights Issue and then applies the funds as per the indicative Use of Funds Table included at section 7.1 of the Offer Document, the Company would still be in compliance with the Act. In that scenario, the Company would be entitled to invest up to approximately \$10.2M in any particular investee. However, it would have only invested approximately \$9.6M in Advent.

If the further extension of the exemption under the Act is not granted, assuming full placement of the remaining shortfall under the Rights Issue, the Company's limit on the further amount it is able to invest in Advent (i.e. over and above its investment as at today's date) would be \$1,074,588 following expiry of the current exemption on 5 August 2017.

The Company is able to manage this scenario since it is proposed that the additional investment into Advent would occur over a period of approximately 12-18 months as and when Advent's petroleum exploration activities are undertaken.

An investment of \$1,074,588 would allow Advent to complete its 2D seismic commitment and, based on current cost estimates, a significant portion of the well intervention program for EP 386 which is not due to be completed until next year. It remains open to the Company at any time to consider further capital raisings which would result in additional amounts being available to invest within the 30% restriction.

The Company will ensure it remains in compliance with the Act and approvals from the Venture Capital Board, and has no intention of putting the Company's PDF status at risk.

Return of Confidential Information under the Control of Former Managing Director Mr David Breeze

The Company is pleased to advise that a sizeable proportion of Company material and data has now been returned to the Company. Unfortunately, this only occurred approximately four months following Mr Breeze's removal as Managing Director of the Company and after the Company commenced proceedings against Mr Breeze and an associated party in the Supreme Court of Western Australia.

Mr Breeze and his associated party have filed and served a defence and counterclaim in the proceedings. The Company strongly refutes the counterclaim. Information regarding the counterclaim is contained at the websites referred to in the Company's two prior announcements on the ASX platform dated 6 February 2017 and 9 March 2017. The information has also been separately emailed to shareholders.

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Notwithstanding that a sizeable proportion of Company material and data has now been returned to the Company, some Company data, material and confidential information has still not been returned to the Company. This includes accounting data, insurance records, employment and other legal agreements and confidential Company correspondence.

The proceeding against Mr Breeze and his associated party is continuing.

We welcome your questions regarding the Company. If you have any questions please do not hesitate to contact the Company on 08 9 245 6187 or info@mecresources.com.au .

Yours faithfully

A handwritten signature in black ink, appearing to read 'Goh Hock', with a long horizontal stroke extending to the right.

Mr Goh Hock
Chairman

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