



9 March, 2017

Company Update following MEC Resources Extraordinary General Meeting held on 16 February 2017

MEC Resources Ltd (**Company** or **MEC Resources**) held an extraordinary general meeting of the company on 16 February 2017 (**EGM**), following a requisition by shareholders comprising greater than 5% of the issued capital in the Company.

The EGM considered three resolutions to appoint proposed new directors to the board of MEC Resources (**Board**). All resolutions were not passed following voting by the Company's shareholders.

Additional matters were raised by shareholders at the EGM that were not relevant to the formal business of the meeting, and which were therefore not considered at the EGM.

The Company is pleased to provide clarification on these matters which included:

1. IPO of MEC Resources' investee Advent Energy Limited (**Advent Energy**)
2. Immediate drilling within PEP11
3. Termination of David Breeze as MD in November 2016
4. Voting at the 2016 MEC Resources Annual General Meeting on 24 November 2016
5. Residency of the current board of Directors

IPO of Advent Energy

At the EGM, Mr David Breeze described his interactions with stockbrokers regarding an IPO of Advent Energy, and their alleged support of an IPO of Advent Energy.

At no stage has the Board suggested that an IPO of Advent Energy is not considered a significant opportunity

- to attract new funds to continue to develop the assets in Advent Energy Ltd and/or
- for the realisation (in whole or in part) of MEC Resources' investment in Advent Energy.

Mr Breeze, during his tenure as Managing Director for both MEC Resources and Advent Energy, was principally responsible for ensuring the financial capabilities of those entities to meet their commitments. At no stage during Mr Breeze's tenure was any definitive tangible plan or material development or progression towards an IPO of Advent Energy reported to the Board. The Board considers that merely speaking with stockbrokers to garner verbal indications of support (as asserted by Mr Breeze at the EGM) does not constitute any tangible or material progression towards an IPO for Advent Energy, and therefore the Board considers that an IPO of Advent Energy remains a concept only at this stage.

The Board is in principle supportive of an IPO of Advent Energy at a suitable future time. In the Board's view, however, the pressing need in relation to the petroleum titles within Advent Energy (PEP11, EP386 and RL1) at this time is to ensure the titles remain in good standing. The Board considers that an IPO of Advent Energy could assist in this requirement, but is conscious that the IPO process would also utilise considerable financial and management resources that at this time may impact on the ability to meet permit work commitments. Upon material new funding being secured,



the Board considers that the first priority for Advent Energy should be to support maintaining the status of PEP11, EP386 and RL1 in good standing.

Drilling within PEP11, offshore Sydney Basin

Mr Breeze indicated to the meeting, and following in Energynewsbulletin.net (17 February 2017), that drilling rig rates are at a considerable low point at this time, and that the time to drill PEP11 was "now".

The Board strongly recognises the keen interest of MEC Resources' shareholders to see exploration success in PEP11. As long as permit commitments have been met and a prudent risk-based approach to determining the optimum drilling location has been efficiently achieved as is good industry practice, the Board considers that Advent Energy drilling a new hole in PEP11 will be an excellent test of the prospectivity of this exciting petroleum title.

The strategic review of Advent Energy's assets, undertaken by independent geologist Matthew Battrick, demonstrated that the seismic data available was insufficient to de-risk the prospects within PEP11 to attract a suitable investment from a technically and financially capable investment partner.

In addition, the drilling costs estimated by Mr Breeze failed to mention major items such as mobilisation and demobilisation costs, the costs of well head, drill pipes and casing etc, and service company costs. Failing to include these items in the estimated drilling costs presents a significantly under estimated drilling cost assessment for shareholders.

In the Board's view, the estimated cost for the proposed 3D seismic survey would be a fraction of the ultimate anticipated drilling costs and a survey is needed to provide improved confidence in drilling in the optimum location for the best commercial outcome. In any event, new high resolution seismic data is expected to be needed to provide a geohazard risk assessment prior to future drilling.

The New Seaclem-1 well, drilled in 2010 at a cost of approximately A\$26 million, did not encounter hydrocarbons and was drilled without the benefit of modern 3D seismic data to de-risk the well.

Termination of the Consultancy Agreement between MEC Resources, Trandcorp Pty Ltd and David Breeze for Managing Director services

On 24 November 2016, MEC Resources announced to the ASX that Mr Breeze's position as Managing Director had been terminated pursuant to his consultancy agreement (**Agreement**) between MEC Resources, Trandcorp Pty Ltd and David Breeze. The effect of the termination was that Mr Breeze was also to resign from the boards of related bodies corporate (including Advent Energy Ltd, Onshore Energy Pty Ltd and Asset Energy Pty Ltd).

For a number of years the Board had informally expressed concern to Mr Breeze about his capacity as Managing Director having regard to the performance of the Company, including the lack of ability to raise sufficient funds to support the active exploration of PEP11, EP386 and RL1 by Advent Energy. This had a corresponding effect on the Company's share price, which was (and is) also a concern of the Board.

In addition, the Board was made aware on 22 November 2016 of a number of actions taken by Mr Breeze on that day which the Board considers were materially inconsistent with his position as



Managing Director of the Company. Mr Breeze had engaged in similar conduct on occasions prior to 22 November 2016. These matters are the subject of separate legal actions brought by the Company and, as the Board understands, certain other parties.

Consequently, a letter of termination was provided to Mr Breeze, describing (consistently with the terms of the Agreement) the offer of payment of six months' fees in lieu of six months' notice.

Following receipt of his termination notice, Mr Breeze requested a copy of his Agreement from an employee of MEC Resources, and this was duly provided. In addition, he advised another employee of MEC Resources that no further work was required to be performed by that employee for Mr Breeze due to Mr Breeze's termination.

Mr Breeze has since rejected the offer of payment. Mr Breeze contended that an earlier consultancy agreement was in force (which did not provide for his acting as Managing Director) and that a larger sum was owed under the terms of that agreement.

The Company disputes Mr Breeze's assertion that the earlier consultancy agreement was in force and that a larger termination sum was owed under the terms of that agreement.

As these issues may be raised in the proceedings which the Company has taken against Mr Breeze and Trandcorp Pty Ltd to amongst other things recover Company data and property, it is not appropriate for the Company to comment further at this time.

Voting at the 2016 Annual General Meeting

MEC Resources held its 2016 AGM at 3pm 24 November 2016. The recording of proxy voting closed 48 hours prior to the meeting, at 3pm on 22 November 2016. The AGM considered, amongst other resolutions, resolutions to re-elect Mr Goh Hock (chairman) and Mr K O Yap (non-executive director) as directors of the Company.

Ms Ambrosini and Mr Kevin Hollingsworth (then an executive director and non-executive independent director, respectively, of Grandbridge Ltd, a shareholder in the Company) signed and submitted a valid proxy voting form on Grandbridge Ltd's behalf.

On the morning of Monday, 21 November 2016, Ms Ambrosini called Mr Breeze asking if he wished to view the proxy forms received by MEC Resources to that date before finalisation the next afternoon. Those forms included Grandbridge's proxy form. Typically for previous general meetings of the Company, Ms Ambrosini and Mr Breeze would together review the proxy forms received from shareholders prior to the meeting to gauge shareholder response to any proposed resolutions for the forthcoming meeting.

When Mr Breeze attended at the Company's office on the evening of 21 November 2016, he was provided with a copy of the proxy forms received for the Company's AGM on 24 November 2016 and Ms Ambrosini asked him again if he wished to review the records together, as was standard procedure. Mr Breeze responded in the negative and reviewed the proxy forms alone. Shortly thereafter, Mr Breeze enquired of Ms Ambrosini as to who signed the Grandbridge Ltd voting form, and Ms Ambrosini advised him that she and Mr Hollingsworth had done so as Mr Breeze had been travelling on behalf of Cortical Dynamics Ltd in the lead up to the meeting.



Grandbridge Ltd's proxy form directed votes in favour of the re-election of Mr Hock Goh and Mr K O Yap.

On 22 November 2016, Mr Breeze purported to summarily terminate Ms Ambrosini as Grandbridge Limited's CFO and then proceeded to restrict her access to the MEC Resources proxy file.

Mr Breeze refused Ms Ambrosini access to the folder both online and the hard copy version until after the 3:00pm proxy close off despite numerous requests from Ms Ambrosini as the Company Secretary and Director of MEC Resources. Mr Breeze maintained control of this file and continued to make changes to this file until after the proxy close time on the 22 November.

Ms Ambrosini subsequently resigned from the board of Grandbridge Ltd on the morning of 24 November 2016, prior to the annual general meeting of that company, which was held earlier on the same day as the Company's AGM.

Mr Breeze submitted a letter purportedly revoking Grandbridge Ltd's proxy form for MEC Resources' AGM shortly prior to the commencement of MEC Resources' AGM. The letter was signed only by Mr Breeze, one of the two directors (at that time) of Grandbridge Ltd. Also shortly prior to the Company's AGM, the Company received a letter from Mr Hollingsworth (then non-executive independent director of Grandbridge Ltd) noting that he had not consented to the revocation of Grandbridge's proxy voting form for the Company's AGM.

As a result of the above, at the Company's AGM, the chairperson determined that the purported revocation was not valid and that therefore Grandbridge Ltd's original proxy voting form remained valid.

Mr Breeze asserted at the Company's AGM, that he represented Grandbridge Ltd. However, since he was not able to produce any instrument executed by Grandbridge Ltd appointing him as corporate representative, the Company was unable to recognise him as Grandbridge Ltd's corporate representative.

No reason has yet been articulated for Mr Breeze's apparent desire to amend Grandbridge Ltd's vote. Had the original Grandbridge Ltd vote been regarded as invalid, the re-election of Mr Hock Goh and Mr K O Yap would have still been successful.

Residency of Board of Directors

It has been brought to the Board's attention that Mr Breeze has communicated to shareholders that the majority of the Board are not Australian residents. This is simply incorrect.

Mr Hock Goh is a permanent resident of Australia and has had permanent residency since 1981. He lives permanently in Sydney. All three of his children are Australian citizens working in various professional roles in Sydney. Mr Hock Goh was personally invited by Mr Breeze to join the Board of MEC Resources.

Mr Heng Yu is an Australian citizen who lives permanently in Perth. As well as being an expert in geology he is also a small business owner in Perth.

Ms Deborah Ambrosini was born in Perth and is an Australian citizen.



Mr KO Yap is a Hong Kong citizen who brings to the Board a wealth of experience in developing corporate transactions. Mr K O Yap was also personally invited by Mr Breeze to join the Board of MEC Resources.

The Board feels that there is good diversity amongst the current directors but will continue to consider new appointments to the Board as circumstances require and for the benefit of the Company and its shareholders.