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CHAIRMAN'S LETTER

Excerpt from Chairman's Report in the 2018 Annual Report.

"I am pleased to have been invited to take on the role of chairman of MEC Resources, and understand that the role comes with a lot of responsibility and many challenges.

I am looking forward to working together with all stakeholders to strive to develop and create long term value for the Company and all shareholders.

I agreed to take on the role of chair of MEC as I believe that the Company, whilst beset in recent years by many challenges, has significant unrealised potential, especially considering its status as an ASX listed Pooled Development Fund"

"I hope that shareholders will give the new independent board the support it needs as it works to turn around the Company's fortunes."



APPOINTMENT OF MANAGING DIRECTOR

ASX Announcement: 5/10/2018

The Board of MEC Resources Ltd (ASX: MMR) (the "Company" or "MEC") are pleased to advise of the appointment of Ms Deborah Ambrosini as the Managing Director of the Company effective immediately.

Ms Ambrosini has extensive experience with MEC Resources, having been with the Company for over 10 years as the CFO, Company Secretary and Executive Director. She will continue in her role as CFO and Company Secretary.

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

Ms Ambrosini was a former state finalist in the Telstra Business Woman Awards and a recipient of the highly regarded '40 under 40' award held by the WA Business News.

I am very pleased to announce Ms Ambrosini's appointment to this role and we look forward to her ongoing contribution to MEC's future success.

The terms of Ms Ambrosini's contract remain unchanged, as previously reported in the 2018 Annual Accounts.





ONSHORE ENERGY SIGNS TERM SHEET WITH BONAPARTE PETROLEUM

ASX Announcement: 28/09/18

MEC Resources Ltd (ASX: MMR) (the “Company” or “MEC”) is pleased to advise of the signing of a binding and exclusive term sheet for the majority sale of Onshore Energy Pty Ltd (“OE”) to Bonaparte Petroleum Pty Ltd (“BP”).

OE is a wholly-owned subsidiary of MEC’s investee company, Advent Energy Ltd (“Advent”), and presently holds 100% of EP386 and RL1 in the onshore Bonaparte Basin, Western Australia and Northern Territory (respectively). BP will acquire 90% of the fully paid ordinary shares in OE currently held by Advent (the “OE Shares”). The leadership team at BP have demonstrated to Advent that they have the exploration, development and production experience and skills in the Australian onshore petroleum sector to effectively progress the EP386 and RL1 assets.

Key terms of the agreement can be read in the full announcement [here](#)

Commenting on the agreement, Advent Chairman Hock Goh stated:

“We are very pleased to have achieved this agreement with Bonaparte Petroleum. Their future success in this gas and oil rich basin will have lasting benefit to the region, Advent Energy and its shareholders. We wish Bonaparte Petroleum every success in progressing these assets and will facilitate their involvement to hit the ground running.”

Furthermore, MEC Chairman Michael Sandy said:

“This is a significant step forward for MEC’s investee Advent Energy. It provides a much needed stimulus to the onshore Bonaparte Basin assets, whilst providing a significant upside to Advent upon further exploration success in this highly prospective region. It also enables real savings on forward expenditure, thereby giving MEC the opportunity to consider an expanded investment portfolio, and to start taking full advantage of its status as a Pooled Development Fund.”

BP Director Mike Adam added:

“The team at Bonaparte Petroleum welcomes the opportunity to put its many years of ‘roll up your sleeves’ local and international experience to use in developing the proven hydrocarbon resources in the onshore Bonaparte Basin.

“We have proven, cost-effective technology that we propose to utilise, along with a low overhead business model, to fully appraise the shallow oil potential of this region which, although lightly explored, has already yielded five discoveries.”

“We hope to build on this knowledge to date, and with the support of our shareholders and partners, aim to bring these discoveries into production. BP looks forward to the safe, effective and sustainable development of the resources, in conjunction with the local indigenous and business communities and other stakeholder groups.”



Waggon Creek-1 Well Testing, 2012





ASSET & PEP 11 INTEREST

*ASX Announcement:
15/10/2018*

The Board of MEC Resources Ltd (ASX: MMR) (the “Company” or “MEC”) hereby advises of the exercise of the rights to require the assumption of 100% of the participating interest in PEP11, offshore Sydney Basin, by Asset Energy Pty Ltd (“Asset Energy”).

Asset Energy is a wholly owned subsidiary of investee Advent Energy Ltd.

Asset Energy today issued a formal notice to former PEP11 joint venture partner Bounty Oil and Gas NL (ASX: BUY, “Bounty”) exercising its option under the terms of the PEP11 Joint Operating Agreement (“JOA”) to require Bounty to completely withdraw from the JOA and the PEP11 permit in lieu of default in payment of outstanding invoices. The withdrawal of Bounty will be finalised on registration of the transfer of Bounty’s interest in PEP11 to Asset Energy by the regulator.

The effect of Bounty’s withdrawal from the JOA and the PEP11 permit will be that Asset Energy assumes Bounty’s former 15% participating interest in PEP11, subsequently increasing Asset Energy’s current interest to 100% of that permit.

This will have no effect on the farmin agreement previously advised to the ASX between RL Energy Pty Ltd (“RLE”) and Asset Energy whereby RLE will acquire at least 500km² of 3D seismic in PEP11 by carrying Asset Energy’s share to a capped amount. Upon completion of the farmin agreement, RL Energy will hold a 60% working interest and Asset Energy will hold the balance of 40% of PEP11.

PEP11 2D SEISMIC ENVIRONMENTAL PERFORMANCE REPORT

ASX Announcement: 27/8/18

MEC Resources Ltd (ASX: MMR) (the “Company”) is pleased to advise that investee Advent Energy Ltd has published its Environmental Performance Report for April’s Baleen 2D HR Seismic Survey in PEP11. The Company holds an interest in PEP11 through 85% titleholder Asset Energy Pty Ltd, a wholly owned subsidiary of Advent Energy Ltd.

In April 2018, a 2 dimensional (2D) seismic survey of approximately 200 line kilometres was performed. The survey was undertaken over the Baleen prospect in petroleum exploration permit PEP11. It took 3 days and was undertaken at a location predominantly 30 km southeast of Newcastle. It also incorporated a single tie-line to the New Seaclem-1 exploration well location (drilled in 2010), approximately 50 km northeast of the main survey area.

The data acquired during the survey is nearing completion of processing by an Australian seismic processing company. Upon receipt of the processed data, Advent Energy will integrate the new data into its existing dataset.

A report describing the performance of the survey against the environmental performance outcomes and standards described in the environment plan as accepted by the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) has been produced to NOPSEMA’s satisfaction, distributed to stakeholders, and published on Advent Energy’s website.

The report confirms that procedures were undertaken in accordance with the requirements of the Environmental Protection and Biodiversity Conservation (EPBC) Act Policy Statement 2.1 describing the interaction between offshore seismic exploration and whales.

A total of one cetacean sighting record (common bottlenose dolphin) was documented. This contributed to the single powerdown/shutdown event as the relevant species was detected within the designated mitigation zone during the seismic operations. There were no records of species that could not be positively identified.

No non-compliance events were documented in relation to marine fauna interactions, mitigation or source operational procedures.

CHANGE OF SHARE REGISTRY SERVICES

ASX Announcement:
09/08/2018

PEP-11 FARMIN - REGISTRATION OF DEALING WITH NOPTA



ASX Announcement: 26/9/2018

MEC Resources Ltd (ASX: MMR) (“the Company” or “MEC”) is pleased to advise that, further to the announcement on 4 May 2018, the conditional farmin agreement to Petroleum Exploration Permit 11 (“PEP11”) between by Asset Energy Pty Ltd and RL Energy Pty Ltd (“RL Energy”) has been registered as a dealing by the National Offshore Petroleum Titles Administrator (NOPTA).

Asset Energy Pty Ltd (“Asset Energy”) which is a wholly owned subsidiary of MEC investee Advent Energy Ltd, presently holds 85% of PEP11 and is Operator of that title.

The conditional agreement between Asset Energy and RL Energy provides for RL Energy to acquire 3D seismic data to meet the future 500km² PEP11 permit work commitment (inclusive of acquisition, processing and interpretation), by carrying Asset Energy’s participating interest share of these costs up to a capped amount as previously announced. The material matters of this agreement have previously been included in the Notice of Meeting dated 2 July 2018 and approved by shareholders on 31 July 2018.

The registration of the dealing by NOPTA in accordance with the Offshore Petroleum and Greenhouse Gas Storage Act 2006 satisfies the remaining Condition Precedent to the agreement, following MEC shareholders’ support for the agreement on 31 July 2018.

Additional milestones to be achieved prior to the 3D seismic survey being undertaken and RL Energy earning their participating interest in PEP11 pursuant to the farmin agreement have been described in a previous release to the ASX dated 9 July 2018.

Asset Energy looks forward to further milestones being achieved in the near term to enable the 3D seismic survey to be undertaken in PEP11 by RL Energy as early as possible.

In accordance with Listing Rule 3.15.1 the Directors of MEC Resources Ltd (ASX:MMR) wish to announce that effective Monday 13 August 2018 our Company will be transferred from Advanced Share Registry Service Limited to Boardroom Pty Ltd.

The new share registry contact details are as below:

Boardroom Pty Ltd
Mailing address: GPO Box 3993,
Sydney NSW 2001
Street address: Level 12, 225
George Street, Sydney NSW 2000
Telephone:
1300 737 760 (within Australia)
+61 2 9290 900 (outside Australia)
Email:
enquiries@boardroomlimited.com.au



**ANNUAL
GENERAL
MEETING**

ANNUAL GENERAL MEETING

Will be held on 27 November, 2018 at 3.00pm AEST

Your proxy vote is important - please return your proxy's by **3.00pm Sunday 25th November.**

If you have not received your Notice of Meeting in the post please contact the office on 61 8 9245 6187.





TAX BENEFITS

Companies with PDF status are taxed at 15% on their income and capital gains received from their investments. This compares favourably with the full company tax rate of 30% and the lower company tax rate of 27.5%.

The good news for shareholders is that capital gains after selling shares are exempt from tax. But there is a catch. Investors are not entitled to deductions or capital loss on the sale of their shares.

Australian residents receiving franked and unfranked dividends are also exempt from tax with shareholders including an option to use the imputation credits attached to the franked dividends to offset other tax obligations.

Another condition PDFs must abide by is a restriction on company size. PDFs must invest in Australian companies with a market capitalisation of less than A\$50 million.

The investee company must have issued shares for the purpose of raising capital to establish a new business, or to substantially expand production capacity, services, and/or its markets.

These investee SME companies are in the formative stages of development – a critical time for any company which can often make or break their future performance.

The idea is that by alleviating some of their challenges and encouraging the provision of investor funding, such companies can be given a solid foundation to become larger and create wider economic benefits for Australia.

Read more of this article <https://smallcaps.com.au/asx-listed-pooled-development-funds-offer-investors-tax-benefits/>

POOLED DEVELOPMENT FUNDS

by *Anthony Black - Smallcaps.com.au*
October, 2018

PDFs raise capital and make equity investments in small and medium-sized (SMEs) enterprises after complying with a structure established under the Australian Government's PDF Act, enacted in 1992.

Australia's Federal Government introduced the PDF Act to increase the supply of capital to SMEs and to foster wider economic benefits.

As a means of incentivising investment, Australian policymakers also introduced tax advantages to compensate for the elevated risk of investing in SMEs.

The PDF program was closed to new registrations in June 2007, but existing registered funds continue to operate and invest in a wide range of small Australian companies.

Several ASX-listed PDFs that continue to operate, offer Australian investors access to small cap companies while also alleviating their tax burden, which encourages ongoing investment in grass-roots businesses.

From the perspective of the Australian government, PDFs are venture capital funds registered under the PDF Act.

