
MEC RESOURCES LIMITED**ACN 113 900 020****NOTICE OF ANNUAL GENERAL MEETING**

Notice is given that the Meeting will be held at:

TIME: 2:00pm (WST)
DATE: Friday, 29 January 2021
PLACE: 15 View Street
NORTH PERTH WA 6006

The business of the Meeting affects your shareholding and your vote is important.

Shareholders are urged to attend or vote by lodging the Proxy Form enclosed with this Notice.

This Notice should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their stockbroker, investment advisor, accountant, solicitor or other professional adviser prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 2.00pm (WST) on 27 January 2021.

Should you wish to discuss any matter please do not hesitate to contact the Company Secretary by telephone on +61 8 9217 2400

BUSINESS OF THE MEETING

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the general meeting of shareholders of MEC Resources Limited (Company) will be held at 15 View Street North Perth WA on Friday, 29 January 2021 commencing at 2.00pm (WST) (Meeting).

The Explanatory Statement provides additional information on matters to be considered at the Meeting. The Explanatory Statement and the Proxy Form form part of this Notice.

The Directors have determined pursuant to regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered as Shareholders on 27 January 2021 at 2.00pm (WST).

Terms and abbreviations used in this Notice and the Explanatory Statement are defined in the Glossary.

IMPORTANT INFORMATION

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 9217 2400.

AGENDA

1. FINANCIAL STATEMENTS AND REPORTS

To receive and consider the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Director's report, the Remuneration Report and the auditor's report.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **non-binding resolution**:

"That, for the purposes of section 250R(2) of the Corporations Act and for all other purposes, approval is given for the adoption of the Remuneration Report as contained in the Company's annual financial report for the financial year ended 30 June 2020."

Note: the vote on this Resolution is advisory only and does not bind the Directors or the Company.

A voting prohibition statement applies to this Resolution. Please see below.

3. RESOLUTION 2 – ELECTION OF DIRECTOR – MR DOUGLAS VERLEY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 14.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Douglas Verley, a Director who was appointed casually as a Director on 11 February 2020, retires, and being eligible, is elected as a Director."

4. RESOLUTION 3 – ELECTION OF DIRECTOR – MR ANDREW JONES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 14.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Andrew Jones, a Director who was appointed casually as a Director on 23 September 2020, retires, and being eligible, is elected as a Director."

5. RESOLUTION 4 – ELECTION OF DIRECTOR – MR ANTHONY HUSTON

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 14.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Anthony Huston, a Director who was appointed casually as a Director on 22 October 2020, retires, and being eligible, is elected as a Director."

6. RESOLUTION 5 – ELECTION OF DIRECTOR – MR GEOFFREY MURRAY

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purpose of clause 14.4 of the Constitution, ASX Listing Rule 14.4 and for all other purposes, Mr Geoffrey Murray, a Director who was appointed casually as a Director on 22 October 2020, retires, and being eligible, is elected as a Director."

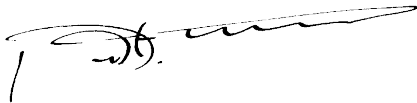
7. RESOLUTION 6 – REPLACEMENT OF CONSTITUTION

To consider and, if thought fit, to pass the following resolution as a **special resolution**:

"That, for the purposes of section 136(2) of the Corporations Act and for all other purposes, approval is given for the Company to repeal its existing Constitution and adopt a new constitution in its place in the form as signed by the chairman of the Meeting for identification purposes."

Dated: 30 December 2020

By order of the Board

A handwritten signature in black ink, appearing to read 'R. Marusco', with a long horizontal flourish extending to the right.

**Mr Robert Marusco
Company Secretary**

Voting Prohibition Statements

Resolution 1 – Adoption of Remuneration Report

A vote on this Resolution must not be cast (in any capacity) by or on behalf of either of the following persons:

- (a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or
- (b) a Closely Related Party of such a member.

However, a person (the **voter**) described above may cast a vote on this Resolution as a proxy if the vote is not cast on behalf of a person described above and either:

- (a) the voter is appointed as a proxy by writing that specifies the way the proxy is to vote on this Resolution; or
- (b) the voter is the Chair and the appointment of the Chair as proxy:
 - (i) does not specify the way the proxy is to vote on this Resolution; and
 - (ii) expressly authorises the Chair to exercise the proxy even though this Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel.

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. FINANCIAL STATEMENTS AND REPORTS

In accordance with the Corporations Act, the business of the Meeting will include receipt and consideration of the annual financial report of the Company for the financial year ended 30 June 2020 together with the declaration of the Directors, the Directors' report, the Remuneration Report and the auditor's report.

The Company will not provide a hard copy of the Company's annual financial report to Shareholders unless specifically requested to do so. The Company's annual financial report is available on its website at www.mecresources.com.au.

2. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

2.1 General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the remuneration report be adopted must be put to the shareholders. However, such a resolution is advisory only and does not bind the company or the directors of the company.

The remuneration report sets out the company's remuneration arrangements for the directors and senior management of the company. The remuneration report is part of the directors' report contained in the annual financial report of the company for a financial year.

The chair of the meeting must allow a reasonable opportunity for its shareholders to ask questions about or make comments on the remuneration report at the annual general meeting.

2.2 Voting consequences

A company is required to put to its shareholders a resolution proposing the calling of another meeting of shareholders to consider the appointment of directors of the company (**Spill Resolution**) if, at consecutive annual general meetings, at least 25% of the votes cast on a remuneration report resolution are voted against adoption of the remuneration report and at the first of those annual general meetings a Spill Resolution was not put to vote. If required, the Spill Resolution must be put to vote at the second of those annual general meetings.

If more than 50% of votes cast are in favour of the Spill Resolution, the company must convene a shareholder meeting (**Spill Meeting**) within 90 days of the second annual general meeting.

All of the directors of the company who were in office when the directors' report (as included in the company's annual financial report for the most recent financial year) was approved, other than the managing director of the company, will cease to hold office immediately before the end of the Spill Meeting but may stand for re-election at the Spill Meeting.

Following the Spill Meeting those persons whose election or re-election as directors of the company is approved will be the directors of the company.

2.3 Previous voting results

At the Company's previous annual general meeting the votes cast against the remuneration report considered at that annual general meeting were less than 25%. Accordingly, the Spill Resolution is not relevant for this Annual General Meeting.

3. RESOLUTION 2 – ELECTION OF MR DOUGLAS VERLEY

3.1 General

The Constitution allows the Directors to nominate or appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Douglas Verley, having been appointed by other Directors on 11 February 2020 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

Resolution 2 seeks Shareholder approval for the election of Douglas Verley as director.

3.2 Qualifications and other material directorships

Doug's 35-year career spans the banking, investment management, life insurance, mutual fund, accounting, property, mining services, construction, fabrication, engineering, printing, training, fire prevention and numerous other industries, with over 25 of those years entrenched in all areas of strategy development, planning and implementation, and some as Group Strategist of a listed life insurance Group.

In the early part of his career Doug spent ~10 years as a professional institutional investment manager and company analyst, managing large pension fund investments. In this time Doug was also responsible for investment marketing and reporting to pension fund administrators and trustees and was part of the team that introduced the first 'Index Tracking Fund' into South Africa, which Doug was the fund manager of.

Later Doug was appointed to the role of Managing Director of the Retail Investments Division of Standard Bank, Africa's largest retail bank, leading a team in excess of 300 people through a 5-year strategic turnaround, in that time growing market share from 5% to 12.8%, and increasing annual sales by seven fold. In this role Doug was responsible for a product range that included ~60 mutual funds, and numerous retirement and other unitised investment products.

On leaving the bank Doug established his own investment funds management company in alliance with one of the world's largest investment management groups, forming numerous strategic alliances with leading South African financial institutions. Via these alliances Doug's company created

numerous innovative investment products, and was able to establish a significant distribution capability, rapidly growing investment funds under management into the hundreds of millions.

On selling his funds management business Doug then establishment his own special-purpose property development company to capitalise and develop a 330-home property development, with an estimated end-to-end value of about AU\$200m.

Doug and his family moved to Australia in 2008. Shortly after arriving in Australia and spurred on by the onset of the GFC Doug decided to enrol to study an MBA at UWA, and at the same time completed the Australian Company Directors Diploma.

Since completing his MBA Doug has acted as the compliance officer to a ~\$500m ASX 200 listed investment company, been the Executive Chairman of a prominent mid-tier accounting, tax and financial planning business, has sat, and still sits, as director, advisor and business coach (mentor) to various SMEs and Not-for-profit organisations, and with his current business partner, he has most recently established Here Business & Wealth (formerly MVP Financial.)

Doug has completed a Diploma in Business Management, a Bachelor of Commerce majored in Economics and Business Economics, an Honours Bachelor of Commerce – Investment Finance, a Higher Post-Graduate Diploma in Corporate Law, Graduate Diploma – Australian Institute of Company Directors (GAICD), and an Executive MBA through UWA, graduating with distinction and receiving the Dux award in Strategic Negotiation.

Mr Verley has not acted as a director of any other listed public company in the last 3 years. Mr Verley is a director of Here Business & Wealth Pty Ltd and Here Capital Pty Ltd. Mr Verley directly holds 2,000,000 shares in the Company and indirectly holds 20,792,200 shares via Here Capital Pty Ltd of which Mr Verley is a director and 26.48% shareholder in Here Capital Pty Ltd.

3.3 Independence

Mr Verley has no interests, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his/her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

If elected the Board considers Mr Verley will be an independent Director.

3.4 Board recommendation

The Board supports the election of Mr Verley and recommends that Shareholders vote in favour of Resolution 2.

4. RESOLUTION 3 – ELECTION OF MR ANDREW JONES

4.1 General

The Constitution allows the Directors to nominate or appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Andrew Jones, having been appointed by other Directors on 23 September 2020 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

Resolution 3 seeks Shareholder approval for the election of Andrew Jones as director.

4.2 Qualifications and other material directorships

Andrew has over 13 years' experience in financial markets and is an established Corporate Advisor with a demonstrated history of working within the finance industry. Currently working as a corporate advisor with Here Capital Pty Ltd Andrew has worked with various stockbroking and capital firms in Perth providing corporate advice to ASX companies. Andrew is skilled in Mergers & Acquisitions, Corporate Finance, Investor Relations and Corporate Communications. Andrew was awarded the Best Corporate Advisor in 2016 from Acquisition International for leading the Aziana Ltd/BrainChip Inc. merger through to a successful listing in September 2015. Andrew identified the potential of the technology very early and worked with him to secure his initial funding and then secured Aziana as a target shell to complete the backdoor listing on the ASX.

Andrew's primary focus is providing corporate advice to ASX companies and specialises in capital raising solutions as well as developing customised corporate strategies for clients. Recently, Andrew has been working with a few selected private companies to prepare them for a public listing on the ASX, whether that be a reverse takeover/backdoor listing or IPO.

Andrew is focused on providing clients with the ability to access a wide range of capital markets including equity and debt but also the framework to structure the next phase of the company's growth. Andrew's philosophy is that capital and financial markets need to be engaged all the time and not just when they need to raise funds or finance projects.

Mr Jones has not acted as a director of any other listed public company in the last 3 years. Mr Jones indirectly holds 4,000,000 shares in the Company via the AJ Superfund A/C and indirectly holds a further 8,000,000 shares via his spouse - Ms Jessica Lanyon Brown.

4.3 Independence

Mr Jones has no interests, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his/her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

If elected the Board considers Mr Jones will be an independent Director.

4.4 Board recommendation

The Board supports the election of Mr Jones and recommends that Shareholders vote in favour of Resolution 3.

5. RESOLUTION 4 – ELECTION OF MR ANTHONY HUSTON

5.1 General

The Constitution allows the Directors to nominate or appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Anthony Huston, having been appointed by other Directors on 22 October 2020 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

Resolution 4 seeks Shareholder approval for the election of Anthony Huston as director.

5.2 Qualifications and other material directorships

Mr Huston has been involved for over 40 years in engineering and hydrocarbon industries for both on and offshore exploration/development. His early career experience commenced with Fitzroy Engineering Ltd, primarily working on development of onshore oil fields.

During the 1990's Mr Huston managed JFP NZ International, a Texas based exploration company that included a Jack Up rig operating in NZ waters. In 1994, Mr Huston oversaw the environmental consent process required to drill a near inshore well that was drilled from "land" into the offshore basin during 1995. In 1996,

Mr Huston formed his own E&P Company to focus on re-entry of onshore wells, primarily targeting shallow pay that had been passed or ignored from previous operations. This was successful and the two plays opened 20 years ago are still in operation. Recent focus (12 years) has been to utilise new technology for enhanced resource recovery and has been demonstrated in various fields, including US, Mexico, Oman, Italy and Turkmenistan.

During the last 3 years Mr Huston has been a director of listed company BPH Energy Limited from June 2017 to present and is a non-executive Director of Advent Energy Ltd.

5.3 Independence

Mr Huston has no interests, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his/her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

If elected the Board considers Mr Huston will be an independent Director.

5.4 Board recommendation

The Board supports the election of Mr Huston and recommends that Shareholders vote in favour of Resolution 4.

6. RESOLUTION 5 – ELECTION OF MR GEOFFREY MURRAY

6.1 General

The Constitution allows the Directors to nominate or appoint at any time a person to be a Director either to fill a casual vacancy or as an addition to the existing Directors, but only where the total number of Directors does not at any time exceed the maximum number specified by the Constitution.

Pursuant to the Constitution and ASX Listing Rule 14.4, any Director so appointed holds office only until the next annual general meeting and is then eligible for election by Shareholders but shall not be taken into account in determining the Directors who are to retire by rotation (if any) at that meeting.

Mr Geoffrey Murray, having been appointed by other Directors on 22 October 2020 in accordance with the Constitution, will retire in accordance with the Constitution and ASX Listing Rule 14.4 and being eligible, seeks election from Shareholders.

Resolution 5 seeks Shareholder approval for the election of Geoffrey Murray as director.

6.2 Qualifications and other material directorships

Mr Murray trained in mechanical and plastics engineering and technology management and is a product development specialist. He also has expertise in extended reach drilling technology and oil, gas and geothermal well optimization. He has been the founder or co-founder of eight tech start-ups.

Mr Murray was the Engineering Manager of Fitzroy Engineering Ltd, Technical Manager of Austoil Group, Global Product-line Manager (extended reach technologies) at Weatherford International and Business Development Manager (NZ and PNG) for Weatherford International.

Mr Murray was engaged in assessing oil and gas properties and making recommendations as the investment Vice President of Stealth Oil & Gas, Houston a wholly owned subsidiary of Weatherford International.

He is currently the Managing Director of Avant-Garde Developments Ltd.

Mr Murray has not acted as a director of any other listed public company in the last 3 years.

6.3 Independence

Mr Murray has no interests, position or relationship that might influence, or reasonably be perceived to influence, in a material respect his/her capacity to bring an independent judgement to bear on issues before the Board and to act in the best interest of the Company as a whole rather than in the interests of an individual security holder or other party.

If elected the Board considers Mr Murray will be an independent Director.

6.4 Board recommendation

The Board supports the election of Mr Murray and recommends that Shareholders vote in favour of Resolution 5.

7. RESOLUTION 6 - REPLACEMENT OF CONSTITUTION

7.1 General

A company may modify or repeal its constitution or a provision of its constitution by special resolution of Shareholders.

Resolution 6 is a special resolution which will enable the Company to repeal its existing Constitution and adopt a new constitution (**Proposed Constitution**) which is of the type required for a listed public company limited by shares updated to ensure it reflects the current provisions of the Corporations Act and ASX Listing Rules.

This will incorporate amendments to the Corporations Act and ASX Listing Rules since the current Constitution was adopted in 2011.

The Directors believe that it is preferable in the circumstances to replace the existing Constitution with the Proposed Constitution rather than to amend a multitude of specific provisions.

The Proposed Constitution is broadly consistent with the provisions of the existing Constitution. Many of the proposed changes are administrative or minor in nature including but not limited to:

- updating references to bodies or legislation which have been renamed (e.g. references to the Australian Settlement and Transfer Corporation Pty Ltd, ASTC Settlement Rules and ASTC Transfer); and
- expressly providing for statutory rights by mirroring these rights in provisions of the Proposed Constitution.

The Directors believe these amendments are not material nor will they have any significant impact on Shareholders. It is not practicable to list all of the changes to the Constitution in detail in this Explanatory Statement, however, a summary of the proposed material changes is set out below.

A copy of the Proposed Constitution is available for review by Shareholders at the Company's website at mecresources.com.au and at the office of the Company. A copy of the Proposed Constitution can also be sent to Shareholders upon request to the Company Secretary (+61 8 9217 2400). Shareholders are invited to contact the Company if they have any queries or concerns.

7.2 Summary of material proposed changes

Restricted Securities (clause 2.12)

The Proposed Constitution complies with the recent changes to Listing Rule 15.12 which took effect from 1 December 2019. As a result of these changes, ASX will require certain more significant holders of restricted securities and their controllers (such as related parties, promoters, substantial holders, service providers and their associates) to execute a formal escrow agreement in the form Appendix 9A, as is currently the case. However, for less significant holdings (such as non-related parties and non-promoters), ASX will permit the Company to issue restriction notices to

holders of restricted securities in the form of the new Appendix 9C advising them of the restriction rather than requiring signed restriction agreements.

Minimum Shareholding (clause 3)

Clause 3 of the Constitution outlines how the Company can manage shareholdings which represent an “unmarketable parcel” of shares, being a shareholding that is less than \$500 based on the closing price of the Company’s Shares on ASX as at the relevant time.

The Proposed Constitution is in line with the requirements for dealing with “unmarketable parcels” outlined in the Corporations Act such that where the Company elects to undertake a sale of unmarketable parcels, the Company is only required to give one notice to holders of an unmarketable parcel to elect to retain their shareholding before the unmarketable parcel can be dealt with by the Company, saving time and administrative costs incurred by otherwise having to send out additional notices.

Clause 3 of the Proposed Constitution continues to outline in detail the process that the Company must follow for dealing with unmarketable parcels.

Fee for registration of off market transfers (clause 8.4(c))

On 24 January 2011, ASX amended Listing Rule 8.14 with the effect that the Company may now charge a “reasonable fee” for registering paper-based transfers, sometimes referred to “off-market transfers”.

Clause 8.4 of the Proposed Constitution is being made to enable the Company to charge a reasonable fee when it is required to register off-market transfers from Shareholders. The fee is intended to represent the cost incurred by the Company in upgrading its fraud detection practices specific to off-market transfers.

Before charging any fee, the Company is required to notify ASX of the fee to be charged and provide sufficient information to enable ASX to assess the reasonableness of the proposed amount.

Direct Voting (clause 13, specifically clauses 13.35 – 13.40)

The Proposed Constitution includes a new provision which allows Shareholders to exercise their voting rights through direct voting (in addition to exercising their existing rights to appoint a proxy). Direct voting is a mechanism by which Shareholders can vote directly on resolutions which are to be determined by poll. Votes cast by direct vote by a Shareholder are taken to have been cast on the poll as if the Shareholder had cast the votes on the poll at the meeting. In order for direct voting to be available, Directors must elect that votes can be cast via direct vote for all or any Resolutions and determine the manner appropriate for the casting of direct votes. If such a determination is made by the Directors, the notice of meeting will include information on the application of direct voting.

Closing date for Director nominations (clause 14.3)

On 19 December 2019, ASX amended Listing Rule 3.13.1 to provide that companies must release an announcement setting out the date of its meeting and the closing date for nominations at least 5 business days before the closing date for the receipt of such nominations. The closing date period under clause 14.3 of the Proposed Constitution has been reduced to at least 30 days (previously it was 30 Business Days) to allow the Company to issue the notification just prior to the notice of meeting

which will reduce the risk of having to delay Shareholder meetings to comply with the Listing Rule requirement.

Dividends (clause 22)

Section 254T of the Corporations Act was amended effective 28 June 2010.

There is now a three-tiered test that a company will need to satisfy before paying a dividend replacing the previous test that dividends may only be paid out of profits.

The amended requirements provide that a company must not pay a dividend unless:

- (a) the company's assets exceed its liabilities immediately before the dividend is declared and the excess is sufficient for the payment of the dividend;
- (b) the payment of the dividend is fair and reasonable to the company's shareholders as a whole; and
- (c) the payment of the dividend does not materially prejudice the company's ability to pay its creditors.

The existing Constitution reflects the former profits test and restricts the dividends to be paid only out of the profits of the Company. The Proposed Constitution is updated to reflect the new requirements of the Corporations Act. The Directors consider it appropriate to update the Constitution for this amendment to allow more flexibility in the payment of dividends in the future should the Company be in a position to pay dividends.

Partial (proportional) takeover provisions (new clause 36)

A proportional takeover bid is a takeover bid where the offer made to each shareholder is only for a proportion of that shareholder's shares.

Pursuant to section 648G of the Corporations Act, the Company has included in the Proposed Constitution a provision whereby a proportional takeover bid for Shares may only proceed after the bid has been approved by a meeting of Shareholders held in accordance with the terms set out in the Corporations Act.

This clause of the Proposed Constitution will cease to have effect on the third anniversary of the date of the adoption of last renewal of the clause.

Information required by section 648G of the Corporations Act

Effect of proposed proportional takeover provisions

Where offers have been made under a proportional off-market bid in respect of a class of securities in a company, the registration of a transfer giving effect to a contract resulting from the acceptance of an offer made under such a proportional off-market bid is prohibited unless and until a Resolution to approve the proportional off-market bid is passed.

Reasons for proportional takeover provisions

A proportional takeover bid may result in control of the Company changing without Shareholders having the opportunity to dispose of all their Shares. By making a partial bid, a bidder can obtain practical control of the Company by acquiring less

than a majority interest. Shareholders are exposed to the risk of being left as a minority in the Company and the risk of the bidder being able to acquire control of the Company without payment of an adequate control premium. These amended provisions allow Shareholders to decide whether a proportional takeover bid is acceptable in principle, and assist in ensuring that any partial bid is appropriately priced.

Knowledge of any acquisition proposals

As at the date of this Notice of Meeting, no Director is aware of any proposal by any person to acquire, or to increase the extent of, a substantial interest in the Company.

Potential advantages and disadvantages of proportional takeover provisions

The Directors consider that the proportional takeover provisions have no potential advantages or disadvantages for them and that they remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The potential advantages of the proportional takeover provisions for Shareholders include:

- (a) the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- (b) assisting in preventing Shareholders from being locked in as a minority;
- (d) increasing the bargaining power of Shareholders which may assist in ensuring that any proportional takeover bid is adequately priced; and
- (e) each individual Shareholder may better assess the likely outcome of the proportional takeover bid by knowing the view of the majority of Shareholders which may assist in deciding whether to accept or reject an offer under the takeover bid.

The potential disadvantages of the proportional takeover provisions for Shareholders include:

- (a) proportional takeover bids may be discouraged;
- (b) lost opportunity to sell a portion of their Shares at a premium; and
- (c) the likelihood of a proportional takeover bid succeeding may be reduced.

Recommendation of the Board

The Directors do not believe the potential disadvantages outweigh the potential advantages of adopting the proportional takeover provisions and as a result consider that the proportional takeover provision in the Proposed Constitution is in the interest of Shareholders and unanimously recommend that Shareholders vote in favour of Resolution 6.

GLOSSARY

\$ means Australian dollars.

AEDT means Australian Eastern Daylight Time.

Annual General Meeting or Meeting means the meeting convened by the Notice.

ASIC means the Australian Securities & Investments Commission.

Associate has the meaning given to it in ASX Listing Rule 19.12.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Certificate means a duly executed certificate of appointment of corporate representative.

Chair means the chair of the Meeting.

Closely Related Party of a member of the Key Management Personnel means:

- (a) a spouse or child of the member;
- (b) a child of the member's spouse;
- (c) a dependant of the member or the member's spouse;
- (d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;
- (e) a company the member controls; or
- (f) a person prescribed by the *Corporations Regulations 2001 (Cth)*.

Company means MEC Resources Limited (ACN 113 900 020).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001 (Cth)*.

Directors means the current directors of the Company.

Equity Securities has the meaning given in chapter 19 of the ASX Listing Rules.

Explanatory Statement means the explanatory statement accompanying the Notice.

Glossary means this glossary of definitions.

Key Management Personnel has the same meaning as in the accounting standards and broadly includes those persons having authority and responsibility for planning, directing and controlling the activities of the Company, directly or indirectly, including any director (whether executive or otherwise) of the Company.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of this Notice.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

Share Registry means the Company's share registry being Boardroom Pty Ltd.