

ASX ANNOUNCEMENT

5 February 2021

NOTICE OF REVOCATION OF POOLED DEVELOPMENT FUND REGISTRATION DECLARATION

MEC Resources Limited (“**MEC**” or the “**Company**”) was notified on 5 February 2021 by the Innovation Investment Committee of Innovation and Science Australia (the “**Committee**”) that the Committee has revoked MEC’s PDF registration as a result of the Company contravening ss19(1), 27, 27A and 42 of the Pooled Development Fund Act 1992 (“**PDF Act**”).

A copy of the full letter is attached to this announcement.

Reasons for Revocation

The Committee has cited two core reasons for their decision being;

- On 5 September 2019 the then MEC Board entered into a series of investments into technology investee, Claratti. MEC did not proceed with this investment¹. In reviewing the initial investment made by the previous MEC Board into Claratti the Committee formed the view that the Company had contravened various sections of the PDF Act. Specifically, the Committee noted that MEC entered into four (4) transactions in Intelligent IP Hosting Pty Ltd trading as Claratti Workspace (“**Claratti**”) which contravened ss19(1), 27, 27A of the PDF Act on nine (9) occasions and;
- On eight (8) occasions MEC failed to notify the Committee of events affecting information previously given in contravention of ss42(2)(a), (c), (k) of the PDF Act over the period from 24 July 2018 to 31 July 2020.

MEC notes however that the Committee’s letter refers to “*legal matters relating to the removal of Mr David Breeze as a director of MEC*” which is in essence incorrect in that the removal of Mr Breeze from the Board of MEC at the time was an **illegal act** which, although notified, the ASIC failed to deal with in a timely manner.

The Company has previously made ASX releases advising that Mr Breeze’s removal was an illegal act in contravention to the Corporations Act^{2 3}.

This failure to act in a timely manner set about a chain of events that would have not otherwise have happened if Mr Breeze was still in the Company as the managing director. The MEC Board are concerned that this particular point has not been given the weight and gravity of consideration it deserves and will be addressing this further with the Committee.

¹ ASX release 16 Jan 2020 – Update to Expanded Investment Mandate

² ASX release 22 Oct 2020 – Company Development & Board Changes

³ ASX release 25 Jan 2021 – Notice of revocation of a lodged ASIC document

MEC Submissions

As noted in the letter, MEC made submissions on 14 & 28 January 2021 along with various teleconference discussions with members of the PDF Department who advise the PDF Committee.

Review and reservation of Rights

MEC will complete a further review of the alleged contraventions and in doing so will also seek legal advice with a view to submitting its position to request Innovation and Science Australia reconsider the decision. MEC's intention is to vigorously pursue the matter and seek out all appropriate avenues of review.

This announcement has been approved by the Board of Directors of MEC.

David Breeze
Managing Director
MEC Resources Ltd



Australian Government

**Department of Industry, Science,
Energy and Resources**

Mr David Breeze
Managing Director
MEC Resources Limited
Level 1, 9 Bowman st
South Perth WA 6151

Dear Mr Breeze

**Letter of revocation of Pooled Development Fund registration declaration
under s47 of the *Pooled Development Funds Act 1992*
MEC Resources Limited [ABN 44 113 900 020]**

On 3 February 2021, the Innovation Investment Committee of Innovation and Science Australia (the Committee) agreed to revoke MEC Resources Limited's (MEC) registration declaration for contravening ss19(1), 27, 27A, 42 of the *Pooled Development Funds Act 1992* (the PDF Act), under s47 the PDF Act from 3 February 2021.

Under s47(1)(a) of the PDF Act, the Committee may revoke a pooled development fund's (PDF's) registration declaration if the Committee is satisfied a provision of the PDF Act has been contravened by, or in relation to, the PDF. The Committee is satisfied MEC's four transactions in Intelligent IP Hosting Pty Ltd trading as Claratti Workspace (Intelligent IP) contravened ss19(1), 27, 27A of the PDF Act in nine instances. Additionally, on at least eight occasions MEC failed to notify the Committee of events affecting information previously given in contravention of ss42(2)(a), (c), (k) of the PDF Act over the period from 24 July 2018 to 31 July 2020.

Consideration of written submissions

On 18 December 2020, the department, on behalf of the Committee, provided MEC with a notice of revocation allowing until 14 January 2021 to make any written submissions in response. On 14 January 2021, MEC provided written submissions within the allowed period given by the Committee under s47(3)(a) of the PDF Act. Additionally, the department provided further information to MEC on 28 January 2021 and MEC provided a response on 28 January 2021. MEC's written submissions of 14 January 2021 and further email of 28 January 2021 were considered by the Committee as required by s47(3)(b) of the PDF Act. At its 3 February 2021 meeting, the department also provided the Committee a verbal update of MEC's 2 February 2021 email to the department.

Reasons for the decision to revoke

In arriving at its decision to revoke MEC's registration declaration, the Committee considered MEC's written submissions provided on 14 January 2021 and 28 January 2021 the department's assessment of the submissions, and the verbal update provided by the department 3 February 2021. The Committee's reasons for its decision are as follows:

- revoking MEC's registration declaration would ensure the Committee is properly discharging its obligations under the PDF Act, including monitoring compliance of

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Industry House - 10 Binara Street, Canberra City, ACT 2601
GPO Box 9839 Canberra ACT 2601 ABN: 74 599 608 295

program participants, as MEC has contravened ss19(1), 27, 27A, 42 of the PDF Act on 17 occasions;

- the Committee is constrained to exercise its discretion not to revoke a registration only in circumstances and in a manner consistent with the objects of the PDF Act and, in making investments that do not comply with the provisions of the PDF Act, considers MEC has not met a fundamental object of the PDF Act;
- allowing MEC to remain registered would frustrate rather than serve the objects of the PDF Act;
- the Committee has considered the broader factors as noted below highlighted by MEC and concludes these do not sufficiently outweigh the reasons for the Committee to exercise its discretion to revoke MEC under s47(3) of the PDF Act:
 - the negative impact of a revocation decision on the approximately 2700 shareholders of MEC;
 - the legal matters relating to the removal of Mr David Breeze as a director of MEC;
 - the composition of the MEC board at the time of the compliance breaches differs from the current composition of the MEC board; and
 - the new compliance processes the PDF has put in place to comply with the PDF Act in future.

Publication of the decision

In accordance with s48 of the PDF Act, the department, on behalf of the Committee, will publish a notice in the *Gazette* stating MEC's name and advising MEC is no longer a PDF from 3 February 2021 because its registration declaration was revoked on 3 February 2021. I note s49 of the PDF Act requires a PDF to notify its shareholders if it ceases to be a PDF as soon as practicable.

Review rights

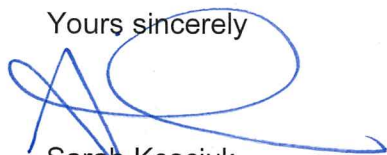
This is a reviewable decision for the purposes of Part 8 of the PDF Act.

You may, under s55 of the PDF Act, request Innovation and Science Australia reconsider the decision. A request by the applicant to reconsider the decision must be made in writing to Innovation and Science Australia. The request must not be made more than 21 days (or such longer period as Innovation and Science Australia approves) after the applicant receives this notice of the decision. In a request to review the decision, the applicant must set out the reasons for making it.

Please note the department cannot provide legal or taxation advice and would encourage MEC to consider seeking such advice if you have any questions of this nature.

Please contact venturecapital@industry.gov.au if you have any questions on this matter.

Yours sincerely



Sarah Kosciuk
Director
Venture Capital
4 February 2021