



13 April 2021

ASX  
Attention Shannon Nicholson  
Level 40, Central Park,  
152-158 St Georges Terrace,  
Perth WA 6000

## **MEC Resources Ltd ('MMR') – Query letter**

Dear Shannon

We refer to your letter dated 16 March 2021 the subject of which was MEC Resources Ltd's ("**MMR**" or the "**Company**") disclosure with respect to its then interest in Intelligent IP Hosting Pty Ltd trading as Claratti Workspace ("**Claratti**") which culminated in an ASX announcement by MMR on 16 January 2020.

This letter addresses each of the points raised in your letter of the 16 March 2021 in the same order following the Company's interim response to the ASX on 22 March 2021.

**1. Please provide details of any agreements entered into between MMR (or its subsidiaries) and Claratti with respect to an investment by MMR (or its subsidiaries) in Claratti, including relevant dates.**

On or about 23 July 2019 the Company entering into a non-binding term sheet agreement with Claratti. The purpose of that agreement was that MMR (via its wholly owned subsidiary Catalyst 1 Pty Ltd ("**Catalyst 1**") would invest a total of \$405,000 which would ultimately give MMR an approximate 12% interest in Claratti.

As the Company's board of directors have changed in its entirety since the investment in Claratti, there is some limitation on the access to records which may be held by previous director Mr Andrew Bald. This point is raised as the only copy available to the Company of the non-binding term sheet is only signed by the Company and not Claratti so we are uncertain if this was in fact the final agreement but for present purposes we assume that it was.

On or about 16 August 2019, the non-binding term sheet was converted to a binding term sheet. Once again, the document is only signed by the Company and not Claratti so we are uncertain if this was in fact the final agreement but for present purposes we assume that it was.

On or about 5 September 2019 MMR, through its wholly owned subsidiary Catalyst 1, invested a \$50,000 instalment payment through a Convertible Note Agreement ("**Con Note**") into Claratti.

On or about 31 October 2019 Catalyst 1 converted the Con Note into shares in Claratti at a price of \$0.46 per share. MMR was issued with 108,696 shares in Claratti. Concurrent with the share issue in Claratti the Con Note came to an end.

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On the same day, Catalyst 1 subscribed for an additional \$50,000 worth of shares in Claratti and was issued with another 108,696 shares at \$0.46 per share for a total then of 217,392 shares in Claratti at a cost of \$100,000.

On or about 7 January 2020, Catalyst 1 and Claratti enter into a secured Convertible Note Deed for a \$200,000 loan which had been secured by an R & D refundable tax offset of \$198,236 via a Deed of Security. This was not disclosed to the ASX and the current board believes it should have been.

Claratti subsequently defaulted on its \$200,000 Convertible Note Loan agreement noted above which was settled on or about 18 May 2020. The details of this settlement were not disclosed to the ASX and the current board believes it should have been.

- 2. With respect to any agreements described as part of your answer to question 1, please confirm whether MMR made any announcement which disclosed the agreement/s. If so, please provide details. If not, please explain why the agreement/s were not disclosed to the market, commenting specifically on whether you believe MMR was obliged to disclose information regarding the agreement/s under listing rule 3.1 and your reasons.**

The binding term sheet with Claratti is dated 16 August 2019. This was followed by the initial investment into Claratti for \$50,000 on or about 5 September 2019 in the form of a Con Note as outlined above. The Board of Directors at that time made no specific or standalone market announcement on or around 16 August 2019 upon execution of the term sheet however we note that on 25 October 2019 the Company lodged an Appendix 4C for the September 2019 quarter on the ASX platform. Item 2.3 in that Appendix 4C reflects the investment in Claratti however there are other items included in this summary amount at item 2.3 and accordingly the \$50,000 investment amount is not specifically reflected. Detailed workings are as follows:

**30 Sept 2019 – Cash flows from Loans to other entities**

<b>Assets</b>	<b>Amount</b>	<b>Cash from loans to other entities</b>
Loan – Advent Energy	(\$1,498)	(\$1,498)
Loan – Asset Energy	(\$39,527)	(\$39,527)
Loan- Claratti	\$50,000	\$50,000
Suspense	(\$19,833)	(\$19,833)
<b>Total net cash inflow movement (noted at item 2.3)</b>		<b>(\$10,859)</b>

We also note that on 30 August 2019 and 19 September 2019 the Company made a Chapter 11 Submission to the ASX outlining the Claratti investment the purpose of which was to submit to the ASX that the Claratti investment did not constitute a change in the activities of the Company nor had any scale impact. A response was received by the Company from the ASX on 26 September 2019 whereby the ASX had determined that this would constitute to a change in the nature of the business activities and that Listing Rules 11.1.2 and 11.1.3 would apply. As noted above on or about the 5 September 2019 the Company made an initial investment of \$50,000 in the form of a Con Note which followed the first Chapter 11 submission to the ASX on the 30 August 2019 whereby the Company indicated therein that it proposed to make the investment.

Notwithstanding the Chapter 11 submission(s) to the ASX we also note however the Company did not put out a quarterly report describing the investment in detail at the same time as the Appendix 4C on 25 October 2019 and we assume if there was more information about the Claratti investment this would have been contained therein. We do not know why the Board of Directors at the time did not lodge a quarterly report.

The Company lodged an Appendix 4C for the December 2019 quarter on the ASX platform. Item 2.3 in that Appendix 4C reflects the further investment in Claratti however there are other items

included in this summary amount at item 2.2 and accordingly the \$50,000 investment amount is not specifically reflected. Detailed workings are as follows:

**31 Dec 2019 – Cash Flows from Loans to other entities**

<b>Assets</b>	<b>Amounts</b>	<b>Cash from loan to other entities</b>
Loan – Asset Energy	\$5,603	\$5,603
Loan – Claratti	\$50,000	\$50,000
<b>Total Net Cash outflow movement (noted at item 2.3)</b>		<b>\$55,604</b>

This pattern of market disclosure, being lodgement of Appendix 4C's which contained the dollar value of the investment/transaction with no corresponding quarterly report, continued until what we believe to be 16 January 2020 at which time the Company indicated in a market announcement (amongst other things):

- The initial investments into Claratti totaling \$100,000 – The Board at the time considered that the investment was not material and as such no prior announcement(s) was made to market;
- The ASX would require the Company to re-comply with Chapters 1 & 2 of the Listing Rules (this appears to be based on advice the Company received from the ASX on 26 September 2019) and, hence
- The Company agreed to divest its minority share investment in Claratti

The announcement also stated incorrectly "That as at the date of this announcement ..(MEC)..does not hold any shares in Claratti." Furthermore the current board notes that this announcement made no reference to the \$200,000 Con Note and in this regard the current board is of the view that it should have done so as ASX had advised the then board, on 26<sup>th</sup> September 2019, that LR11.1.2 and LR 11.1.3 would apply to the investment.

As indicated above, Appendix 4C of 30 January 2020 reflects a further \$200,000 (item 9.7 as estimated cash outflow which was in the form of a Convertible Loan to Claratti via MEC's wholly owned subsidiary) investment noted above on 7 January 2020. We note however the Company again did not put out a quarterly report at the same time as the Appendix 4C and we assume if it had more information about the Claratti investment this would or may have been contained therein. Furthermore, the Company made no standalone announcement of the \$200,000 Convertible Loan. We do not know why the Board of Directors at the time did not lodge a standalone announcement on this subject or a quarterly report. Upon further review the current board is of the view that the details pertaining to this agreement should have been released to market.

The Company made a market announcement on 16 January 2020 entitled "Update to Expanded Investment Mandate" which included the initial share investment in Claratti and the fact that MMR would not be undertaking the investment as a result of having to comply with Chapters 1 & 2 of the Listing Rules. This announcement does not mention the Convertible Loan to Claratti.

Likewise, on 30 January 2020, the Company lodged an Appendix 4C for the December 2019 quarter on the ASX platform. Item 2.3 reflects the \$50,000 loan to Catalyst 1 relating to the Claratti investment. As noted above there are other items included in the summary amount at item 2.3 so the \$50,000 investment amount is not specifically reflected.

Item 9.7 on that Appendix 4C reflects a further \$200,000 investment noted above on 7 January 2020. We note however the Company did not put out a quarterly report at the same time as the Appendix 4C and we assume if it had more information about the Claratti investment it would or may have been contained therein.

The Company lodged its 31 December 2019 half year report on the ASX on 2 March 2020 which highlighted the \$100,000 share investment in Claratti.

On 30 April 2020 the Company lodged an Appendix 4C for the March 2020 quarter on the ASX platform. Item 2.3 reflects the \$200,000 investment in Claratti. No corresponding quarterly activities report was lodged by the Company at the time and we assume if it had more information about this Claratti investment it would or may have been contained therein.

The Company, in reviewing prior quarterly cashflow reports, notes that on each occasion referred, the Company did not lodge a quarterly activities report which most likely would have provided additional information regarding the Claratti share investment.

**3. Please confirm the date/s that MMR acquired its shareholding in Claratti, including the consideration paid by MMR and the number of shares acquired on each date (if applicable). As part of your answer, please confirm whether MMR made any announcement which disclosed its acquisition/s of shares in Claratti. If so, please provide details.**

Date	Action	Purpose	Investment
5-Sep-19	MEC via subsidiary Catalyst 1 enters into a Con Note Agreement with Claratti	Advanced \$50,000 to Claratti	\$50,000
31-Oct-19	Catalyst 1 converts the Con Note above to shares	Issued with 108,696 shares in Claratti @ 46 cents per share	
31-Oct-19	Catalyst 1 subscribes for additional shares in Claratti for additional \$50,000	Issued with a further 108,696 shares in Claratti @ 46 cents per share (Catalyst now holds 217,392 shares in Claratti)	\$50,000
		<b>Total Investment</b>	<b>\$100,000</b>

As indicated above, we have determined that the previous Board of Directors considered the initial \$100,000 investment to not be material and as such no announcement was made to market.

After discussions with the ASX in January 2020 by the previous Board it was determined that although MMR's PDF Board Approved Investment Mandate had been expanded (pursuant to the PDF Act), the investment in Claratti would require MMR to re-comply with Chapters 1 & 2 of the ASX Listing Rules. As a result, MMR would proceed no further with the Claratti investment and divest its interest in Claratti. As noted above an ASX release was made on 16 January 2020.

Following this, MMR expected that the Convertible Note for \$200,000 to Claratti would be repaid however Claratti did not complete repayment of the debt as required by way of the Convertible Note Deed which resulted in a default by Claratti.

Following a period of negotiation MMR and Claratti agreed to settle whereby:

- The 217,392 shares in Claratti acquired by MMR at a cost of \$100,000 were sold back to the Claratti shareholders for \$1 and (loss on the shares is therefore \$99,999), and
- Of the \$200,000 Convertible Note Loan a gross total of \$175,732 was recovered through the sale of MMR shares transferred in the Claratti settlement resulting in a loss on the Convertible Note of \$24,268.

We note that the Deed of Settlement was ultimately executed on 18 May 2020 which indicates this is when the Claratti shares were ultimately disposed.

**4. Please confirm where the cash flow associated with MMR's acquisition/s of shares in Claratti was reported in in MMR's Appendix 4C quarterly cash flow reports for the relevant periods, with specific reference to the sections of the report/s where the disclosures were made and any necessary commentary.**

On 31 July 2019, the Company lodged an Appendix 4C for the June 2019 quarter on the ASX platform.

Item 9.7 on that Appendix 4C reflects the anticipated \$50,000 investment noted above on 5<sup>th</sup> September 2019. We note however the Company did not put out a quarterly report at the same time as the Appendix 4C and we assume if it had more information about the initial Claratti investment it would or may have been contained therein.

Likewise, on 25 October 2019, the Company lodged an Appendix 4C for the September 2019 quarter on the ASX platform. Item 2.3 reflects the investment in Claratti (via the Company's wholly owned subsidiary Catalyst 1) however there are other items included in this summary amount at item 2.2 so the \$50,000 investment amount is not specifically reflected.

Item 9.7 on that Appendix 4C also reflects a further anticipated \$50,000 investment noted above on 31 October 2019.

We note however the Company did not put out a quarterly report at the same time as the Appendix 4C and we assume if it had more information about the Claratti investment it would or may have been contained therein.

The Company made a market announcement on 16 January 2020 entitled "Update to Expanded Investment Mandate" which included initial share investment in Claratti and the fact that MMR would not be undertaking the investment as a result of having to comply with Chapters 1 & 2 of the Listing Rules. This announcement does not mention the Convertible Loan to Claratti.

Likewise, on 30 January 2020, the Company lodged an Appendix 4C for the December 2019 quarter on the ASX platform. Item 2.3 reflects the \$50,000 loan to Catalyst 1 relating to the Claratti investment. As noted above there are other items included in the summary amount at item 2.3 so the \$50,000 investment amount is not specifically reflected.

Item 9.7 on that Appendix 4C reflects a further \$200,000 investment noted above on 7 January 2020. We note however the Company did not put out a quarterly report at the same time as the Appendix 4C and we assume if it had more information about the Claratti investment would or may have been contained therein.

The Company lodged its 31 December 2019 half year report on the ASX on 2 March 2020 which highlight the \$100,000 share investment in Claratti.

On 30 April 2020 the Company lodged an Appendix 4C for the Mar 2020 quarter on the ASX platform. Item 2.3 reflects the \$200,000 investment in Claratti (via the Company's wholly owned subsidiary Catalyst 1). No corresponding quarterly activities report was lodged by the Company at the time and we assume if it had more information about this Claratti investment would or may have been contained therein.

The Company in reviewing prior quarterly cashflow reports notes that on each occasion referred, the Company did not lodge a quarterly activity report which most likely would have provided additional information regarding the Claratti share investment.

As noted above the investment in Claratti would require MMR to comply with Chapters 1 & 2 of the ASX Listing Rules which in turn lead MMR to make the decision not to proceed with the investment.

**5. Please confirm the date/s that MMR disposed of its shares in Claratti, including details of the consideration received by MMR in relation to the disposal/s. If the Claratti shares were sold at a loss, please provide details.**

The total cost to MMR of the Claratti shares was \$100,000 and the Claratti Convertible Note was \$200,000 giving a total cost of \$300,000.

- 5.1 MMR recovered a total of \$165,717 from the sale of MEC shares transferred in the settlement resulting in a loss of \$135,267.
- 5.2 The 217,392 shares in Claratti acquired by MMR with a cost of \$100,000 were sold back to the Claratti shareholders for \$1 and resulting in a loss on the shares of \$99,999, and
- 5.3 Of the \$200,000 Convertible Note Loan a total of \$165,716 was recovered through the sale of shares transferred in the Claratti settlement resulting in a loss on the Convertible Note of \$34,284.

Claratti defaulted on its Convertible Note Loan agreement with the Company which was settled on or about 18 May 2020. The shares held in Claratti noted at 5.2 above were formally disposed on or about the settlement date being 18 May 2020.

**6. Please confirm where the cash flow/s associated with MMR's divestment/s of shares in Claratti was reported in MMR's Appendix 4C quarterly cash flow reports for the relevant periods, with specific reference to the sections of the report/s where the disclosures were made and any necessary commentary.**

On 31 July 2020, the Company lodged an Appendix 4C for the June 2020 quarter on the ASX platform. Item 2.2 (d) and 2.3 on that Appendix 4C reflects a \$165,000 net recovery from the disposal of the investment and Convertible Note in Claratti and from the sale of MEC shares transferred in the settlement. We note however the Company did not put out a quarterly report at the same time as the Appendix 4C.

Upon review of this particular Appendix 4C we note that the recovery should have been reflected in its entirety at item 2.3 and in this regard, there is a misclassification on the Appendix 4C. We also note that the final draft of the Appendix 4C at the time was prepared on the basis that the entire recovery was noted at item 2.3 (as the recovery came via the Company's subsidiary Catalyst 1 as a loan repayment) however the Appendix 4C was changed at the last moment by the director at the time (Mr Andrew Bald) and instructions were given by him to lodge this amended document.

This particular Appendix 4C contained two errors;

- i. The recovery of the Claratti investment was misclassified in that the share investment and the Convertible Loan investment in Claratti were both made by MEC's wholly owned subsidiary Catalyst 1. In this regard the entire recovery should have been reflected at item 2.3 of the Appendix 4C and not split between item 2.2(d) as to \$100,000 and item 2.3 as to \$65,000. The total proceeds coming back to MEC were from a repayment of loan from Catalyst 1 from the sale of MEC shares transferred in the settlement.
- ii. The amount of \$100,000 reflected at item 2.3 – disposal of investments was a misstatement for the reason noted above.

As such the Company has completed an amended appendix 4C to reflect the points noted above which has been released on the ASX via separate cover letter.

- 7. Please confirm whether, since the Announcement, MMR has invested in any entities related to or associated with Claratti.**

The Company confirms there are no further investments in entities related to or associated with Claratti.

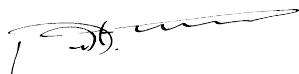
- 8. Please confirm that MMR is complying with the Listing Rules and, in particular, Listing Rule 3.1.**

The Company is complying with Listing Rules and in particular, Listing Rule 3.1.

- 9. Please confirm that MMR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of EM1 with delegated authority from the board to respond to ASX on disclosure matters.**

The Company confirms that the responses in this letter have been approved by the Board of Directors.

Yours Faithfully

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

Robert Marusco  
Company Secretary



16 March 2021

Mr Robert Marusco  
Company Secretary  
MEC Resources Ltd  
Level 1, 9 Bowman Street  
SOUTH PERTH WA 6151

By email: robert.m@herebusiness.com.au

Dear Mr Marusco

**MEC Resources Ltd ('MMR') – Query letter**

ASX refers to the following:

- A. MMR's announcement titled "Update to Expanded Investment Mandate" released on the ASX Market Announcements Platform ('MAP') on 16 January 2020 which discloses information, including but not limited to, the following:
- a. The Company previously announced that the Innovation Investment Committee of Innovation and Science Australia has approved MMR's application to vary its approved investment plan to include investments into existing and start-up enterprises that have demonstrated technology and/or services that may have application not limited to the resources sector (refer to the ASX announcement dated 13 March 2019 for further details).
  - b. On 1 November 2019, MEC acquired 3.19% of the shares in Intelligent IP Hosting Pty Ltd trading as Claratti Workspace ('Claratti'), a managed services provider of cloud based IT infrastructure, service and software, for consideration of A\$100,000 ('Initial Investment'). No announcement was made in respect to the Initial Investment as the Company had considered the Initial Investment to be immaterial.
  - c. ASX has advised that the expansion of the Company's mandate constitutes a change in the nature of the Company's activities and requires the Company to seek shareholder approval pursuant to Listing Rule 11.1.2 and re-comply with Chapters 1 and 2 of the Listing Rules pursuant to Listing Rule 11.1.3.
  - d. Having regard to c), the Company has agreed to divest its existing minority investment of 3.19% in Claratti and, as at the date of the announcement, does not hold any shares in Claratti;
  - e. The Company intends to convene a meeting of shareholders to consider (amongst other matters) the necessary resolutions to proceed with an investment in Claratti and any other potential investments under its expanded mandate.
  - f. Subject to (amongst other matters) the Company obtaining the requisite shareholder approval and re-complying with Chapters 1 and 2 of the Listing Rules, the Company intends to invest in Claratti's business and acquire at least 10% of the issued capital of Claratti. The Company will not undertake an investment in Claratti if the requisite shareholder approval is not obtained and/or it is unable to satisfy the requirements under Chapters 1 and 2 of the Listing Rules. The Company will provide shareholders with an update in respect to status and progress by way of further ASX announcements,  
(the 'Announcement').
- B. MMR's request for voluntary suspension dated 17 January 2020, pursuant to listing rule 17.2, pending the release of an announcement in respect to potential investments under its expanded investment mandate. MMR was suspended from official quotation on this date and remains suspended.



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- C. MMR's announcement titled "Notice of Revocation of Pooled Development Fund Registration Declaration" released on MAP on 8 February 2021, which refers to the revocation of MEC's Pooled Development Fund registration. As set out in the announcement, the Innovation Investment Committee of Innovation and Science Australia noted as part of its reasoning that MMR entered into four transactions in Claratti which contravened sections of the PDF Act on nine occasions.
- D. Prior correspondence between MMR and ASX with respect to these matters.

#### **Request for information**

1. Please provide details of any agreements entered into between MMR (or its subsidiaries) and Claratti with respect to an investment by MMR (or its subsidiaries) in Claratti, including relevant dates.
2. With respect to any agreements described as part of your answer to question 1, please confirm whether MMR made any announcement which disclosed the agreement/s. If so, please provide details. If not, please explain why the agreement/s were not disclosed to the market, commenting specifically on whether you believe MMR was obliged to disclose information regarding the agreement/s under listing rule 3.1 and your reasons.
3. Please confirm the date/s that MMR acquired its shareholding in Claratti, including the consideration paid by MMR and the number of shares acquired on each date (if applicable). As part of your answer, please confirm whether MMR made any announcement which disclosed its acquisition/s of shares in Claratti. If so, please provide details.
4. Please confirm where the cash flow associated with MMR's acquisition/s of shares in Claratti was reported in MMR's Appendix 4C quarterly cash flow reports for the relevant periods, with specific reference to the sections of the report/s where the disclosures were made and any necessary commentary.
5. Please confirm the date/s that MMR disposed of its shares in Claratti, including details of the consideration received by MMR in relation to the disposal/s. If the Claratti shares were sold at a loss, please provide details.
6. Please confirm where the cash flow/s associated with MMR's divestment/s of shares in Claratti was reported in MMR's Appendix 4C quarterly cash flow reports for the relevant periods, with specific reference to the sections of the report/s where the disclosures were made and any necessary commentary.
7. Please confirm whether, since the Announcement, MMR has invested in any entities related to or associated with Claratti.
8. Please confirm that MMR is complying with the Listing Rules and, in particular, Listing Rule 3.1.
9. Please confirm that MMR's responses to the questions above have been authorised and approved in accordance with its published continuous disclosure policy or otherwise by its board or an officer of EM1 with delegated authority from the board to respond to ASX on disclosure matters.

#### **When and where to send your response**

This request is made under Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by no later than **9 AM AWST Friday, 19 March 2021**. You should note that if the information requested by this letter is information required to be given to ASX under Listing Rule 3.1 and it does not fall within the exceptions mentioned in Listing Rule 3.1A, MMR's obligation is to disclose the information 'immediately'. This may require the information to be disclosed before the deadline set out in the previous paragraph and may require MMR to request a trading halt immediately.

Your response should be sent to me by e-mail at [ListingsCompliancePerth@asx.com.au](mailto:ListingsCompliancePerth@asx.com.au). It should not be sent directly to the ASX Market Announcements Office. This is to allow me to review your response to confirm that it is in a form appropriate for release to the market, before it is published on the ASX Market Announcements Platform.

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**Listing Rules 3.1 and 3.1A**

In responding to this letter, you should have regard to MMR's obligations under Listing Rules 3.1 and 3.1A and also to Guidance Note 8 *Continuous Disclosure*: Listing Rules 3.1 – 3.1B. It should be noted that MMR's obligation to disclose information under Listing Rule 3.1 is not confined to, nor is it necessarily satisfied by, answering the questions set out in this letter.

**Release of correspondence between ASX and entity**

We reserve the right to release a copy of this letter, your reply and any other related correspondence between us to the market under listing rule 18.7A.

**Questions**

If you have any questions in relation to the above, please do not hesitate to contact me.

Yours sincerely

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**Shannon Nicholson**  
Principal Adviser, Listings Compliance (Perth)