



14 March, 2017

Mr Christopher Bailey
Adviser
Listing Compliance (Perth)
Australian Securities Exchange
Level 40
Central Park
152-158 St Georges Terrace
PERTH WA

Dear Mr Bailey,

RE: MEC Resources Ltd – Response to ASX Query

In response to your letter dated 9 March 2017 MEC Resources Ltd ("**MMR**" or "**the Company**") is pleased to provide the following responses to your questions:

1. Details of MMR's current activities

MMR is an ASX listed Pooled Development Fund (PDF). The PDF program operates under the *Pooled Development Funds Act 1992* (Cth). The PDF program is administered by the Venture Capital Committee of Innovation Australia (AusIndustry).

The PDF program was initiated to encourage investment into high risk enterprises. A PDF may only invest 30% of its shareholder funds into any one investee. An initial investment must be 10% or greater of the investee, and that investee may not have net tangible assets of greater than \$50 million upon initial investment by the PDF.

Most shareholders of a PDF can achieve capital gains tax free investing, and tax free dividends in the event the PDF distributes a dividend to shareholders.

MMR's primary business activity is monitoring its investments, supporting them where necessary or appropriate, and monitoring the market for new investment opportunities as they may arise.

Currently, MMR's principal investment lies in Advent Energy Limited ("**Advent**"). MMR is directly involved in the project management and delivery of the proposed exploration activities of Advent. The Board of Advent also includes Mr Goh Hock and Ms Deborah Ambrosini. MMR also holds small investments in BPH Energy Ltd and Molecular Discovery Systems Ltd.

A loan to BPH Energy Ltd is currently earning interest at a rate of 20.97% per annum. This loan is currently due and payable to MMR.

Advent is an Oil & Gas exploration company with conventional and unconventional petroleum assets in Australia, both onshore and offshore. These assets include the PEP11 project (85%, and Operator) which lies in the offshore Sydney Basin, and EP386 & RL1 (both 100%) in the onshore Bonaparte Basin, straddling the border of Western Australia and the Northern Territory.

MEC Resources Ltd

ACN 113 900 020

PO Box 882, West Perth, WA 6872 Level 1, 100 Havelock Street, West Perth 6005, Western Australia

T: +61 8 9245 6187 F: +61 8 6160 5901

info@mecresources.com.au www.mecresources.com.au

2. **Specific details of consolidated revenue and expenditure for the half year ended 31 December 2016 in relation to each activity**

The accounts at 31 December 2016 are consolidated accounts and include the revenue and expenditure for MEC Resources Ltd and its consolidated entities. The group companies are MEC Resources Ltd, Advent Energy Ltd, Asset Energy Pty Ltd and Onshore Energy Pty Ltd.

Revenue and Expenditure for the period ending 31 December 2016

Revenue - \$11,159

Includes interest received on MEC and Advent bank account balances, and accrued interest receivable on a loan with BPH Energy Ltd.

Expenditure - \$486,122

| Account | MEC Resources Ltd \$ | Advent Energy Ltd \$ | Total \$ |
|-------------------------|-------------------------|-------------------------|-------------|
| General Administrative | 302,311 | 109,389 | 411,700 |
| Investing | 65,565 | - | 65,565 |
| Exploration Expenditure | nil | 8,857 | 8,857 |
| Total | 367,876 | 118,246 | 486,122 |

General and Administrative – General and administrative expenditure includes amounts of approx. \$83k accrued for the Directors of MMR and Advent Energy up to 31 October 2016. In November 2016 the Boards of both entities reduced their fees to \$1 per year indefinitely. No additional accruals are being made.

Further General and Administrative costs also include the services fees paid to Grandbridge Ltd by MMR and Advent Energy from July 2016 to November 2016. This was a total of \$129k. The Company has found alternatives to these services as it considers that Grandbridge repudiated these contracts in December 2016. These alternatives have resulted in the Company making material savings. No further amounts are payable under these contracts.

Investing – This includes:

- (i) a non cash loss on the revaluation of MEC's investment in BPH Energy at 31 December 2016. This will only be realised on the sale of the asset and it will be dependent upon the share price of BPH Energy at that time.
- (ii) Active monitoring of exploration activities within Advent's PEP11, EP386 and RL1 titles.

3. **Details of MMR's expenditure regarding "consulting and legal expenses" in the reports**

Consulting and legal costs for the consolidated group include all costs associated with the appointment of external consultants for the company. These services include auditors and technical consultants.

The amount included on the 31 December 2016 accounts also include accrued fees for these consultants that are estimates only. These are based on expected costs and may be generous to ensure the accounts are as accurate as possible.

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The table below shows the breakdown between consulting and legal for the group at 31 December 2016

| Account | MEC Resources Ltd | Advent Consolidated Group | Total |
|--------------|-------------------|---------------------------|----------------|
| Consulting | 29,558 | 59,927 | 89,485 |
| Legal | 39,886 | 166 | 40,052 |
| Total | 69,444 | 60,093 | 129,537 |

Consulting costs shown above include the monthly payments to the previous managing director, Mr David Breeze. As previously advised MMR terminated the consulting contract with Trandcorp Pty Ltd and Mr David Breeze in November 2016. No further payments are intended to be made under this contract.

4. **Details of MMR's anticipated revenue and expenditure for each activity for the half year commencing 1 January 2017 to 30 June 2017 – Forecast only**

| Forecast Expenditure and Revenue | MEC Resources Ltd \$ | Advent Energy Ltd \$ | Total \$ |
|---|-------------------------|-------------------------|------------------|
| Exploration - Research and Development Rebate | 50,000 | - | 50,000 |
| Interest | 25,000 | 500 | 25,500 |
| Total Revenue | 75,000 | 500 | 75,500 |
| General Administrative | 235,000 | 20,000 | 255,000 |
| Investing | 40,000 | - | 40,000 |
| Exploration Expenditure not capitalised | - | 40,000 | 40,000 |
| Total Expenses | 275,000 | 60,000 | 335,000 |
| Net Loss | (200,000) | (59,500) | (259,500) |

- Advent is forecasting further exploration expenditure of approximately \$150,000 to 30 June 2017. This will be capitalised on the balance sheet and not shown in the statement of financial performance.

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5. **Details of MMR's current liabilities as at the date of this letter including with each entry the following:**

- i. **The quantum of funds;**
- ii. **To who the funds are owed;**
- iii. **Whether the liability is secured, and if so, the details of the security;**
- iv. **The date the liability is payable (which may be in the past);**
- v. **Whether the liability is presently payable; and**
- vi. **Any interest accruing on any monies owed.**

| Liability | MEC Resources Ltd | Advent Energy Ltd | Total Liabilities | Interest Payable | Expected Payment Date |
|--|--------------------------|--------------------------|--------------------------|-------------------------|--|
| Trade Creditors | 120,127 | 2,661 | 122,788 | No | \$62,000 payable March Balance payable April/May |
| Accrued expenses including Director fees | 249,540 | 484,461 | 734,001 | No | \$734,001 Director fees are due upon termination of services as per contract. Directors have provided confirmation that no Director fees will be paid for a period of 12 months or until the termination of their services with the entity. This is not anticipated to occur at this time. |
| Annual leave provision | 8,405 | - | 8,405 | No | Not anticipated to be used at this time |
| Financial liabilities | 274,171 | 539,207 | 813,378 | No | These loans may be payable to Grandbridge Ltd and BPH Energy Ltd. As per the 31 December 2016 accounts the Directors are seeking legal advice on these. These loans are unsecured and they are interest free. |
| Other provisions | - | 81,844 | 81,844 | No | This will be payable upon the listing of Advent Energy Ltd and would not be a non cash settlement. No date has been set for listing Advent at this time. |
| Total | 600,040 | 1,166,603 | 1,716,643 | | |

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6. **Please state MMR's cash balance at the date of this letter**

MMR's current cash balance at the date of this letter is \$289,607

7. **Does MMR expect that it will continue to have negative operating cash flows for the time being and if not, why not?**

Yes MMR will continue to have negative operating cash flows for the time being as it is not revenue generating. Funds received will be more financing and investment funds.

8. **Has MMR taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what those steps and how likely does it believe that they will be successful?**

MMR is currently preparing for a capital raising. Details of this will be provided in due course.

Advent Energy is in discussions with different parties regarding the potential investment into this Company. These discussions are ongoing and further details will be provided in due course.

MMR is confident it will raise further cash to fund its operations going forward.

9. **Does MMR expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?**

Yes MMR expects to be able to continue its operations and to meet its business objectives going forward. As stated above MMR is preparing for a capital raising and will provide more information in due course.

MMR also has a loan with BPH Energy that is due and payable to MMR at this time. This facility is currently earning an interest rate of 20.97% per annum calculated daily.

10. **Please confirm that MMR is in compliance with the Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.**

Yes MMR is in compliance with Listing Rule 3.1 and there is no information that should be given to the ASX about its financial condition that has not already been provided.

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

Yes these responses have been circulated and approved by the Board of MMR.

12. **Please also provide any other information that MMR considers may be relevant to ASX forming an opinion on whether MMR is in compliance with Listing Rules 12.1 and 12.2.**

There is no further information that MMR considers relevant to the ASX forming an opinion on whether MMR is in compliance with the Listing Rules 12.1 and 12.2.

This letter includes forward looking statements that have been based on current expectations about future acts, events and circumstances. These forward looking statements are, however, subject to risks, uncertainties and assumptions that could cause those acts, events and circumstances to differ materially from the expectations described in the forward looking statements. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, as at the date of this letter, are considered reasonable. Such forward-looking statements are not

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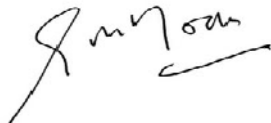
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guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Company, the Directors and the management. The Directors cannot and do not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this letter will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Goh Hock', with a stylized flourish at the end.

GOH HOCK
CHAIRMAN

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9 March 2017

Ms Deborah Ambrosini
Executive Director and Company Secretary
MEC Resources Limited
Level 1, 100 Havelock Street
WEST PERTH WA 6005

By email

Dear Ms Ambrosini

MEC Resources Limited (“MMR”)

ASX Limited (“ASX”) refers to the following:

- A. Under Listing Rules 12.1 and 12.2, ASX can determine whether the continued listing of an entity is warranted, having regard to the entity’s level of operations or its financial condition.

12.1 The level of an entity’s operations must, in ASX’s opinion, be sufficient to warrant the continued quotation of the entity’s securities and its continued listing.

12.2 An entity’s financial condition (including operating results) must, in ASX’s opinion, be adequate to warrant the continued quotation of its securities and its continued listing.

Annual Report (Year Ended 30 June 2016)

- B. MMR’s 2016 annual report, released to ASX on 3 October 2016, which reported, amongst other things:

- that MMR is a pooled development fund whose major investment is a 44.89% interest in Advent Energy Ltd (“Advent”), an oil and gas exploration entity;
- that Advent’s assets include EP386 and RL1 (100% interest), and PEP11 (85% interest);
- MMR has a 4.01% interest in BPH Energy Limited, a diversified holding company, also holding a 27% interest in Advent;
- revenue for the year of \$23,984 (interest);
- other income of \$37,498 (R&D tax rebate);
- cash and cash equivalents of \$877,018;
- an operating loss for the year, after tax, of \$1,034,447;
- employee expenses of \$487,587;

- consulting and legal expenses of \$131,348; and
- administration expenses of \$252,750.

Half Year Report (Period Ended 31 December 2016)

- C. MMR's half year report for the period ended 31 December 2016, released to ASX on 28 February 2017, which reported amongst other things:
- MMR had terminated the consultancy agreement between the MMR, Trandcorp Pty Ltd (Trandcorp) and Mr David Breeze (Trandcorp's Nominee) under which Mr David Breeze was appointed as Managing Director of MMR.
 - revenue for the half year of \$11,159 (interest);
 - cash and cash equivalents of \$440,563;
 - an operating loss after tax of \$474,963; and
 - consulting and legal expenses of \$129,537.

Based on the information in MMR's Annual Report for the year ended 30 June 2016 and Half Year Report for the period ended 31 December 2016 (together, the "Reports"), it appears that if MMR were to continue to expend cash at the rate indicated by the Reports, MMR may not have sufficient cash to continue funding its operations.

Pursuant to Listing Rule 18.7, ASX requires MMR to answer the following questions in a format suitable for release to the market:

1. Please provide specific details of MMR's current activities.
2. Please provide specific details of the revenue and expenditure for the half year ended 31 December 2016 in relation to each activity.
3. Please provide details of MMR's expenditure regarding "consulting and legal expenses" in the Reports.
4. Please provide details of MMR's anticipated revenue and expenditure for each activity for the half year commencing 1 January 2017 and ending 30 June 2017.
5. Please provide details of MMR's current liabilities as at the date of your response to this letter, including with each entry the following information:
 - (a) the quantum of funds owed;
 - (b) to who the funds are owed;
 - (c) whether the liability is secured, and if so, details of the security;
 - (d) the date the liability is payable (which may be in the past);

- (e) whether the liability is presently payable; and
 - (f) any interest accruing on any monies owed.
6. Please state MMR's current cash balance as at the date of your response to this letter.
 7. Does MMR expect that it will continue to have negative operating cash flows for the time being and, if not, why not?
 8. Has MMR taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?
 9. Does MMR expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?
 10. Please confirm that MMR is in compliance with Listing Rule 3.1 and that there is no information that should be given to ASX about its financial condition in accordance with that Rule that has not already been released to the market.
 11. 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 MMR with delegated authority from the board to respond to ASX on disclosure matters.

Please also provide any other information that MMR considers may be relevant to ASX forming an opinion on whether MMR is in compliance with Listing Rules 12.1 and 12.2.

When and where to send your response

This request is made under, and in accordance with, Listing Rule 18.7. Your response is required as soon as reasonably possible and, in any event, by not later than **9.00 am AWST on Tuesday, 14 March 2017**. If we do not have your response by then, ASX will have no choice but to consider suspending trading in MMR's securities under Listing Rule 17.3.

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.

ASX reserves the right to release a copy of this letter and your response on the ASX Market Announcements Platform under Listing Rule 18.7A. Accordingly, your response should be in a form suitable for release to the market.

Your response should be sent to me by e-mail at Chris.Bailey@asx.com.au and to tradinghaltspert@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.

Listing Rule 3.1

Listing Rule 3.1 requires a listed entity to give ASX immediately any information concerning it that a reasonable person would expect to have a material effect on the price or value of the entity's securities. Exceptions to this requirement are set out in Listing Rule 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.

Trading halt

If you are unable to respond to this letter by the time specified above, you should discuss with us whether it is appropriate to request a trading halt in GBA's securities under Listing Rule 17.1.

If you wish a trading halt, you must tell us:

- the reasons for the trading halt;
- how long you want the trading halt to last;
- the event you expect to happen that will end the trading halt;
- that you are not aware of any reason why the trading halt should not be granted; and
- any other information necessary to inform the market about the trading halt, or that we ask for.

We may require the request for a trading halt to be in writing. The trading halt cannot extend past the commencement of normal trading on the second day after the day on which it is granted.

You can find further information about trading halts in Guidance Note 16 *Trading Halts & Voluntary Suspensions*.

If you have any queries or concerns about any of the above, please contact me immediately.

Yours sincerely

[Sent electronically without signature]

Chris Bailey
Adviser, Listings Compliance (Perth)