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Companies Announcements Office
Australian Securities Exchange Limited
10th Floor, 20 Bridge Street
SYDNEY NSW 2000

MEC Resources Ltd (ASX MMR) Notice of General Meeting under Section 249F and MMR Rights Issue

Dear Sir/Madam,

Correspondence has been received on behalf of MMR raising a number of objections to the form of the notice issued to MMR for a General Meeting under Section 249F of the Corporations Act 2001.

Whilst those objections are being considered and legal advice is received the Notice of General Meeting under section 249F is being withdrawn and is intended to be re-submitted once these objections have been considered.

MMR Rights Issue

MMR has recently announced that Grandbridge Limited (**Grandbridge**) did not take up any entitlements under the MMR Rights issue. Grandbridge had and still has concerns in relation to a range of matters in relation to the rights issue and MMR's disclosure and has referred these for review to ASIC. Until those matters are addressed Grandbridge would not invest in MMR's Rights issue.

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

A PDF may only invest 30% of its shareholder funds into any one investee unless the board of Innovation Australia consents to a PDF investing additional funds into such investee. MMR has received consent to increase its investment in Advent Energy Limited (**Advent**) above 30%, which expires on 5 August 2017 (**PDF Consent**).

As at 2 August 2016, MMR notified Innovation Australia that its total commitment to Advent was \$7,495,062 and that it had shareholders' funds of \$26,165,961. This amounts to 28.64% of MMR's committed capital.

The Offer Document produced by MMR provided that, assuming the maximum subscription of \$2,800,485 was raised, a total of \$2,050,000 will be applied toward funding the activities of Advent. The Offer Document did not disclose:

- any proposed fundraising to be undertaken by Advent other than funding by MMR;
- the fact that MMR has been granted the PDF Consent;

- the fact that the PDF Consent expires in August 2017; or
- the conditions applicable to MMR that will need to be satisfied upon expiry of the PDF Consent.

The capital restrictions of MMR are critical to investors and may have a material impact on MMR's ability to invest in Advent. In the absence of a further consent from Innovation Australia, MMR will be required to reduce its investment before 5 August 2017 in order to ensure it remains in compliance with the PDF Act. A company's PDF status can be revoked in the event that the company is not in compliance with the PDF Act. The Offer Document did not disclose the effect that ceasing to be classed as a PDF would have on its shareholders, as this is a material risk that shareholders should be aware of as the risk relates directly to their personal taxation consequences.

In addition, the Offer Document (together with the Cleansing Notice and MMR's previous announcements) do not disclose details of the counterclaim or other claims made by Grandbridge, Trandcorp and Mr Breeze against MMR and Advent. Further, the Offer Document did not set out the dilutive effect on shareholders that choose not to participate in the MMR Rights issue. The Offer Document should include a statement setting out the extent to which shareholders will be diluted in the event that they do not take up their entitlements and those shares are subsequently placed to third parties by the Directors.

Yours Sincerely

A handwritten signature in dark ink, appearing to read 'D. Breeze' with a stylized flourish at the end.

David Breeze
Managing Director