



31 January 2019

Australian Securities Exchange
10th Floor, 20 Bridge Street
SYDNEY, NSW 2000

via e-lodgement

Dear Sir/Madam

APPENDIX 4C - QUARTERLY CASH FLOW REPORT

MEC Resources Ltd (ASX: MMR, ACN 113 900 020) ("**MEC**" or "**the Company**") is pleased to provide its Appendix 4C (Quarterly Cashflow Report) for the quarter ended 31 December 2018 ("Q2").

The Company was granted a Research and Development incentive in the quarter ended 31 December 2018 after recent seismic activities within PEP 11. An amount of \$384k was received under the scheme in Q2.

As previously announced, the data obtained during the 2D seismic survey undertaken in PEP11 earlier in 2018, has been processed. For a full report on the results from the seismic survey, please see the Company's ASX announcement dated 31 December 2018.

Operating expenses were higher than on a year-by-year comparison with December 2017 as a result of the costs associated with processing the 2D seismic survey. Further costs are expected to be received in the March 2019 quarter. In addition, the Company is pleased to advise that it has entered into an initial agreement with previous directors, Mr Goh Hock and Mr KO Yap, in respect of the payment of their accrued but unpaid director fees. In the first instance, 50% of the outstanding amounts will be paid in three tranches over a three month period which commenced in December 2018. The balance will be settled at a later date.

We welcome your questions and comments regarding the Company.

If you have any questions, please do not hesitate to contact the Company on 08 9245 6187 or info@mecresources.com.au.

A handwritten signature in blue ink, appearing to read "D Ambrosini", is positioned above the name of the signatory.

Ms Deborah Ambrosini
Managing Director and Company Secretary

MEC Resources Ltd

ACN 113 900 020

PO Box 882, West Perth, WA 6872
Level 3, Suite 2, 1111 Hay Street, West Perth WA 6005
T: +61 8 9245 6187 F: +61 8 9200 6193

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

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About MEC Resources Ltd (ASX:MMR)

MEC is registered as a Pooled Development Fund under the *Pooled Development Fund Act* (1992). It has been formed to invest into a variety of industries, including companies that are targeting potentially large energy and mineral resources.

MEC will provide carefully selected companies with development and exploration funding. MEC intends to identify investment opportunities with a number of specific characteristics including: near to medium term revenue opportunities; large targets; a stage of development that permits a strategic investor or IPO within several years; strong and experienced management team and a definitive competitive advantage.

MEC's major investment lies in unlisted Australian oil and gas exploration company, Advent Energy Ltd who owns 100% of Asset Energy Pty Ltd and Onshore Energy Pty Ltd.

Asset Energy Pty Ltd – PEP 11

- Undiscovered gross prospective recoverable gas resources for structural targets within the PEP11 offshore permit have been estimated at 5.7 Tcf (at the Best Estimate level). A Low Estimate of 0.3 Tcf and High Estimate of 67.8 Tcf has been assessed by Pangean Resources in 2010. PEP 11 lies adjacent to the most populous region of Australia and the major industrial hub and port of Newcastle.
- Signed Farmin agreement with RL Energy Pty Ltd on 4 May 2018.
- Under the agreement, RL Energy will acquire 3D seismic data to meet the future 500km² PEP11 permit work commitment (inclusive of acquisition, processing and interpretation), by carrying Asset Energy's participating interest share of these costs up to a capped amount of \$4 million.

Onshore Energy Pty Ltd – EP386/RL1

- A conventional 2C Contingent Resource of 11.5 Bcf (1C is 0.3 Bcf and 3C is 45.8 Bcf) for the Weaber Gas Field (RL1) has been assessed by an independent third party as a component of Advent's drive to commercialise its 100% owned onshore Bonaparte Basin assets. Included in these assets is EP386, with conventional recoverable resource estimates ranging from 53.3 Bcf (Low) to 1,326.3 Bcf (High) of Prospective Resources, with a Best Estimate of 355.9 Bcf of gas.
- Signed a binding and exclusive term sheet for the majority (90%) sale of Onshore Energy to Bonaparte Petroleum on 28 September 2018.

Pooled Development Status – Benefits to Shareholders

Pooled Development Funds raise capital and make equity investments in small and medium-sized (SMEs) enterprises after complying with a structure established under the Australian Government's PDF Act, enacted in 1992.

Companies with PDF status are taxed at 15% on their income and capital gains received from their investments.

Resident shareholders are exempt from capital gains tax after selling shares. Investors will not be entitled to deductions or capital loss on the sale of their shares.

Shareholders receiving franked and unfranked dividends are also exempt from tax, with shareholders having an option to use the imputation credits attached to the franked dividends to offset other tax obligations.

Shareholders should seek professional advice from their tax advisor regarding pool developments funds and the benefits specifically available to their situation.

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Appendix 4C

Quarterly report for entities subject to Listing Rule 4.7B

Introduced 31/03/00 Amended 30/09/01, 24/10/05, 17/12/10, 01/09/16

Name of entity

MEC Resources Limited

ABN

44 113 900 020

Quarter ended ("current quarter")

31 December 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	(7)
(d) leased assets	-	-
(e) staff costs	(70)	(125)
(f) administration and corporate costs*	(317)	(823)
1.3 Dividends received (see note 3)		-
1.4 Interest received	1	7
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	385	385
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1)	(563)

*includes operational expense support for Advent Energy Ltd

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) businesses (see item 10)	-	-
(c) investments	-	-

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Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
(d) intellectual property	-	-
(e) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) property, plant and equipment	(2)	(6)
(b) businesses (see item 10)	-	-
(c) investments	-	-
(d) intellectual property	-	-
(e) other non-current assets	-	(29)
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(2)	(35)

3. Cash flows from financing activities		
3.1 Proceeds from issues of shares	-	-
3.2 Proceeds from issue of convertible notes	-	-
3.3 Proceeds from exercise of share options	-	-
3.4 Transaction costs related to issues of shares, convertible notes or options	-	-
3.5 Proceeds from borrowings	-	-
3.6 Repayment of borrowings	-	-
3.7 Transaction costs related to loans and borrowings	-	-
3.8 Dividends paid	-	-
3.9 Other (provide details if material)	-	-
3.10 Net cash from / (used in) financing activities	-	-

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of quarter/year to date	468	979
4.2 Net cash from / (used in) operating activities (item 1.9 above)	(1)	(563)
4.3 Net cash from / (used in) investing activities (item 2.6 above)	(2)	(35)
4.4 Net cash from / (used in) financing activities (item 3.10 above)	-	84

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Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of quarter	465	465

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	465	468
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	465	468

6.	Payments to directors of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to these parties included in item 1.2	36
6.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
6.3	Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2	

Ms Ambrosini has a consulting contract with MEC Resources to provide accounting and company secretarial services. Charges are capped at a maximum of 4 days per week and additional hours provided by Ms Ambrosini are unpaid and provided in kind.

7.	Payments to related entities of the entity and their associates	Current quarter \$A'000
7.1	Aggregate amount of payments to these parties included in item 1.2	86
7.2	Aggregate amount of cash flow from loans to these parties included in item 2.3	-
7.3	Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2	

Operational expense support to MEC investee Advent Energy Ltd – 60k
Repayment of accrued director fees to Mr Goh Hock and Mr KO Yap – 26k

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	-	-
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

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9. Estimated cash outflows for next quarter	\$A'000
9.1 Research and development	-
9.2 Product manufacturing and operating costs	-
9.3 Advertising and marketing	-
9.4 Leased assets	-
9.5 Staff costs	55
9.6 Administration and corporate costs	150
9.7 Other (provide details if material)	50
9.8 Total estimated cash outflows	255


*

10. Acquisitions and disposals of business entities (items 2.1(b) and 2.2(b) above)	Acquisitions	Disposals
10.1 Name of entity	-	-
10.2 Place of incorporation or registration	-	-
10.3 Consideration for acquisition or disposal	-	-
10.4 Total net assets	-	-
10.5 Nature of business	-	-

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Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:  Date: 31 January 2019
(Managing Director/Company secretary)

Print name: Deborah Ambrosini

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

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