



04 July 2017

The Manager, Companies
Australian Securities Exchange Ltd
10th Floor, 20 Bridge Street
Sydney NSW 2000

Dear Sir / Madam,

STATUTORY DEMAND: DEBT OFFSET

On 16 June 2017, BPH Energy Ltd (**BPH**) received a demand from MEC Resources Ltd (**MMR**) in the sum of \$338,050.31 (the **MMR Demand Letter**). The demand was made pursuant to a Loan Agreement between MMR and BPH dated 14 November 2014 (the **Loan Agreement**).

MMR demanded payment by 30 June 2017.

On 30 June 2017, Grandbridge Ltd (**GBA**) assigned to BPH the sum of \$348,564 being an amount due by MMR to GBA. There is also a further pre-existing debt of \$39,486.00 owed by MMR to BPH. These liabilities of MMR have been recorded on the accounts of MMR and published in the quarterly, half yearly and annual reports of MMR.

The MMR Demand Letter seeks payment in the sum of \$338,050.31. BPH is entitled to payment on demand from MMR in the sum of \$388,050.

A set off exists between MMR and BPH as each party owes each other a monetary debt.

The debt owed by BPH to MMR is therefore extinguished.

However, the balance of \$49,999.69 remains owing by MMR to BPH (the **Outstanding Liability**).

By letter dated 3 July 2017, BPH demanded that MMR pay the Outstanding Liability by 28 July 2017. If the Outstanding Liability is not paid by 28 July 2017, BPH will act as it deems necessary to recover the Outstanding Liability.

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By letter dated 3 July 2017, MMR notified BPH that it had issued a Statutory Demand for the amount claimed in the MMR Demand Letter.

For the reasons outlined above, BPH considers that there is no basis for the Statutory Demand as MMR has no claim against BPH. In the circumstances, BPH invites MMR to provide a statement unequivocally withdrawing the Statutory Demand, failing which, BPH will make an application to set aside the Statutory Demand. If BPH succeeds in having the Statutory Demand set aside, MMR will be liable for costs.

Yours sincerely

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

David Breeze
Executive Director

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