



9 May 2018

Dear Shareholder,

On 8 May 2018, MEC Resources Limited (**Company**) announced a non-renounceable rights offer of up to 135,972,866 new fully paid ordinary shares (**Rights Offer**) under which its shareholders whose registered addresses are in Australia and New Zealand (**Eligible Shareholders**) will be offered one (1) fully paid ordinary share in the Company (**New Share**) for every two (2) fully paid ordinary shares held at 5:00pm AEST on 11 May 2018 (**Record Date**) at an issue price of \$0.018 per New Share, with any fractional entitlements being rounded down. In addition, if an eligible shareholder subscribes for new shares, that eligible shareholder will be granted one (1) unlisted option for nil consideration per new share, with each option giving the holder the right to subscribe for one share in the Company by exercising such option at any time up to the date that is two years after the date of grant of the option, at an exercise price of \$0.04 per option (**Option**).

The New Shares will rank equally with all other fully paid ordinary shares of the Company, including in respect of dividends, from the date of the allotment. Upon the exercise of the Options, the Shares issued to the holder will rank equally with all other fully paid ordinary shares of the Company, including in respect of dividends, from the date of issue.

The Rights Offer is not underwritten. However, Claymore Capital Pty Ltd (AFSL 261076), which raised substantial capital for the Company when Asset Energy Pty Ltd drilled its offshore well on PEP11, has been retained to assist the Company with this Issue and the placement of the shortfall for an agreed fee. At this stage Claymore has advised it has procured irrevocable commitments for \$100,000 (which would be in addition to any New Shares subscribed for by the Directors under the Offer).

The Rights Offer will raise up to approximately \$2.4 million before costs.

The funds raised from the Rights Offer will be used primarily to support the ongoing exploration efforts, through the provision of ongoing funding to Advent Energy Limited (**Advent Energy**), one of the Company's investee companies. Funds deployed to Advent Energy will be directed to planning and execution of the proposed well intervention program in EP386 and RL1. The balance will be allocated for the working capital requirements of the Company and if required, completion of the 2D seismic campaign through provision of funding for any unforeseen expenses. One such unforeseen expense has been a possible increase in mobilization charges due to a change in the intended vessel to operate the survey on behalf of Advent's subsidiary company Asset Energy Pty Ltd (**Asset**). This change in vessel was due to the availability of a suitable vessel around the 'tight window' of available dates allowed to record the survey, one of the limitations of the approved Environmental Plan ("EP"). Asset's portion of the survey had previously been estimated to be between \$500k-700k however as a result of these changes the final survey cost to Asset could be between \$500k-800k.

EP386 and RL1 permits are located onshore adjacent to the WA/NT border in northern Australia. RL1 is a retention licence over the Weaber gas field and EP386, an exploration permit, contains five gas discoveries from nine wells drilled. This is evidence of a high exploration success rate in this seemingly prolific petroleum basin. The area is a demonstrated hydrocarbon province and Advent Energy has engaged a specialist regulatory services group to assist it in working with the state regulators in extending the permit terms to assess well integrity and enable further evaluation of the gas resource, to facilitate the development of the local gas market.

Advent Energy has also engaged a consultant, Geoteknic, to work on a plan to further evaluate these assets. Geoteknic is an Australian reservoir engineering and technical analysis company, specialising in well test design and field well testing services. It is anticipated that data acquired will help provide support for the commercial potential of the discovered hydrocarbon accumulations, and enable conceptual field development planning.

The team supporting Advent Energy is working to apply for and secure extension to the title over the EP 386 permit, through the first and second quarters of 2018, while they work towards all necessary approvals to implement and achieve the well intervention operations previously announced. Efforts include a parallel planning process to undertake work on both RL1 in the NT and EP386 in WA, via regular engagement with the designated authority in each jurisdiction. The team is also working to monetise the contingent resources within the Weaber Gas field by conducting

MEC Resources Ltd

ACN 113 900 020

PO Box 882, West Perth, WA 6872

Suite 2, Level 2, 1111 Hay Street, West Perth 6005, Western Australia

T: +61 8 9245 6187 F: +61 8 9200 6193

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



work necessary to prepare a formal field development plan. The expectation is that this resource can be developed in conjunction with further appraisal and exploration within the EP386 permit. Together, both assets have the potential to deliver as to local and regional customers.

As previously advised to the ASX on 8 January 2018, extension of the PEP11 permit has been received. PEP11 is located offshore NSW in the Sydney Basin, proximate to the eastern Australian gas market and infrastructure. Advent Energy has engaged Minev Services and an international specialist technical equipment provider to support achieving (in the first instance) the 2D seismic work commitment in PEP11 which is scheduled to commence on 15th April 2018. The survey is anticipated to be conducted over a 3-4 day period.

The Board of Advent Energy has been further strengthened in 2018. Mr Stephen Kelemen, an engineer of over 30 years' experience, has been appointed as non-executive director of Advent Energy. He is currently a Member of Core Energy Group Advisory Council, the Deputy Chair (Petroleum) for the Queensland Exploration Council, and Adjunct Professor at the Centre for Coal Seam Gas at the University of Queensland. His career commenced with Santos Ltd in 1982, and since that time has performed significant technical and leadership roles including the Chief Reservoir Engineer, the Manager of Operations for the Queensland and Northern Territory Business Unit, the Manager of Northern, and Manager of Unconventional Resources Growth.

Mr Kelemen has been directly responsible for increasing petroleum reserves, leading and managing significant investments, management of joint venture operations, and leading discussions with investors, bankers and farminees on his employers' reserves. The board of Advent now comprises Mr Goh Hock (Chairman), Ms Deborah Ambrosini (Executive Director, Company Secretary and CFO), Ms Diana Hoff (Non-Executive Director), and Mr Stephen Kelemen (Non-Executive Director).

We are also very enthusiastic in supporting an expedited 3D seismic survey to ensure the key targets in PEP11 are sufficiently de-risked to be 'drill-ready' at the earliest opportunity. With the eastern Australian gas market challenges this provides great market potential in the event of commercial discoveries in PEP 11. The 3D seismic is targeting the significant potential for potentially recoverable gas, as previously documented in the 2017 Annual Report. As announced on 4 May 2018, a conditional farm-in agreement to PEP11 has been signed by Asset Energy Pty Ltd and RL Energy Pty Ltd ("RL Energy"). The agreement replaces the binding term sheet previously in place between the parties. Key terms of the agreement include, but are not limited to:

- RL Energy having the right to earn a 5% interest in PEP11 by preparing and submitting all documents and reports in support of an environmental approval process for the proposed 3D seismic program. The costs associated with the preparation of the environment plan documents and reports are to be met by RL Energy, and will not count towards the capped expenditure amount referred to above.
- RL Energy having the right to earn a further 55% interest in PEP11 upon the acquisition, processing and interpretation of a 500km² (or greater) 3D seismic survey in PEP11 to cover key structural targets. The 3D seismic works will be subject to the availability of a suitable seismic vessel.

Conditions precedent to the agreement include, but are not limited to:

- Regulatory approval of the agreement.
- Asset Energy confirming that its ultimate parent entity (MEC) has sought and received shareholder approval to the transaction – as previously announced on 19 February 2018. The ASX has used their discretion to determine that RL Energy is a person to whom Listing Rule 10.1 will apply. Accordingly, the Company is required to now comply with Listing Rules 10.7 and 10.10. The Company will seek shareholder approval and an independent expert report will be included in the notice of meeting to be provided to shareholders, at the earliest opportunity.

The Company is pleased that additional interest and support is contributing to an expedited exploration of PEP11 to capitalise on the pressing need for natural gas in the eastern Australian energy market.

The Company has decided that it is unreasonable to make the offer to shareholders with registered addresses outside of Australia and New Zealand having regard to the cost of complying with the legal requirements and the requirements of the regulatory authorities of the countries concerned.

We regret that the Rights Offer is therefore not extended to you and you will not receive a copy of the Prospectus or an entitlement and acceptance form relating to the Rights Offer.

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No action has been taken to register or qualify the Prospectus and entitlement and acceptance form, the Rights Offer, or the New Shares or to otherwise permit a public offering of the New Shares in any jurisdiction outside of Australia and New Zealand.

If you have any questions, please contact the Company Secretary Ms Deborah Ambrosini on +618 9245 6187.

Yours faithfully

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

Goh Hock
Chairman

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