



8 January 2018

Companies Announcements Office
ASX Limited
10th Floor, 20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam,

COMPANY UPDATE

MEC Resources Ltd (ASX: MMR) ("the Company" or "MEC") wishes to provide the following update regarding its investee Advent Energy Ltd, and the status of the outstanding loan with BPH Energy Ltd (ASX: BPH).

Advent Energy Ltd

MEC holds a 47% interest in unlisted oil and gas explorer Advent Energy Ltd.

Advent Energy presently holds an 85% interest in PEP11, offshore Sydney Basin, and 100% interest in EP386 and RL1 in the onshore Bonaparte Basin.

PEP11 lies adjacent to the NSW coast in Commonwealth waters, and is believed to comprise large structural traps that provide an opportunity to potentially discover significant volumes of natural gas to supply the challenged east coast gas market and contribute to national energy security. Asset Energy Pty Ltd is Operator and 85% titleholder of PEP11, along with Bounty Oil and Gas NL (15%). Asset Energy Pty Ltd is a wholly owned subsidiary of Advent Energy Ltd.

Advent Energy currently has an Environment Plan submitted to the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA) for acceptance to undertake a 2D high resolution seismic survey over the Baleen prospect, some 30km south east of Newcastle. A response from NOPSEMA following submission of material pursuant to a Request For Further Written Information is anticipated on 11 January 2018. Commencement of detailed operations planning and mobilisation of necessary equipment will occur pending NOPSEMA's acceptance of the Environment Plan.

A term sheet has been agreed between Asset Energy Pty Ltd, Bounty Oil and Gas NL (existing PEP11 JV partners) and RL Energy Pty Ltd whereby RL Energy Pty Ltd may earn 10% in PEP11 by funding the completion of the 2D survey up to a capped amount. The term sheet also contemplates RL Energy Pty Ltd exercising an option to acquire a significant area of 3D data over PEP11 to earn a further 50% in PEP11.

Further the agreement also considers an expedited 3D seismic acquisition option, whereby RL Energy will expedite acquisition of a larger scale 3D seismic survey in PEP11 in an early timeframe, and in lieu of the planned 2D seismic survey. RL Energy shall earn 60% working interest in PEP11 should it complete this expedited 3D seismic option. This was announced to the ASX on 5 December 2017.

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Furthermore, an international marketing agency has been engaged to undertake marketing of PEP11 to suitable major international oil and gas companies and investors to fund the future exploration drilling of PEP11.

High quality 3D seismic data is necessary to derisk the prospects within PEP11 sufficiently to ensure a sustainable exploration and appraisal program can be undertaken in future. Exploration drilling on the existing 2D dataset is considered to be too risky. This could result in poorly selected drilling parameters and a lower probability of success. The Company strongly believes that a good 3D data set could enhance the prospect of attracting long-term drilling and development partners as it may provide greater clarity of natural gas structures and reservoirs, and reveal a greater number of drillable prospects for future targeting. In addition, upon a successful commercial discovery, the 3D data would assist in expediting appraisal and development works.

In the onshore Bonaparte Basin in the north of Western Australia/Northern Territory, Advent Energy holds 100% of EP386 and RL1. These assets comprise a number of gas discoveries (EP386) and the undeveloped Weaber Gas Field (RL1, Northern Territory). Advent Energy is planning well intervention and decommissioning works across the three cased and suspended wells (Waggon Creek-1, Vienta-1 (EP386), and Weaber-4 (RL1)) in the forthcoming dry season, pending regulatory approvals and suitable funding. The Company has received preliminary support from Aboriginal heritage groups on already cleared lands. Gas has flowed from these wells previously on testing at rates of 1.3 million cubic feet of gas per day (MMcfd), 2.1 MMcfd and 2.0 MMcfd respectively. Any data achieved from the well interventions can contribute to potential future field development planning.

Numerous market opportunities exist in this region to substitute natural gas from Advent Energy's assets for diesel and other energy sources in existing or planned remote power generating assets in the east Kimberley region, where a variety of mineral projects, aquaculture and agricultural projects are in operation and/or planning stages.

Loan to BPH Energy Ltd

MEC provided significant funds to BPH Energy Ltd pursuant to a loan agreement, entered into in 2014. MEC has pursued BPH Energy Ltd to repay these funds and the significant interest accrued upon the non-repayment of these funds, pursuant to the formal loan agreement.

On 13 December 2017, a summary judgement application was heard in the District Court of Western Australia following BPH Energy Ltd's non-repayment of outstanding monies. The outcome from this hearing is pending. As at the time of the hearing, MEC believes \$374,869 (plus costs) were owing to it, with the loan agreement providing for daily interest to be accrued.

Yours Sincerely

A handwritten signature in black ink, appearing to read 'Goh Hock', with a horizontal line underneath.

Goh Hock
Chairman

MEC Resources Ltd

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