



19 February 2018

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

Dear Sir/ Madam,

UPDATE TO PEP11 FARMIN AGREEMENT

MEC Resources Ltd (ASX: MMR) ("**the Company**") is pleased to provide the following update as advised by the Company's investee, Advent Energy Ltd ("**Advent**").

As announced to the market on 5 December 2017, Asset Energy Pty Ltd ("**Asset**") (a wholly owned subsidiary of Advent) and Asset's PEP11 Joint Venture partner, Bounty Oil and Gas NL ("**Bounty**") (ASX:BUY), signed a binding term sheet with RL Energy Pty Ltd ("**RL Energy**") for a conditional farm-in to Petroleum Exploration Permit 11 ("**PEP11**"). The formal farm-in agreement is in the process of being finalised and key terms will be advised to the market upon execution of the agreement. Those terms will include that the farm-in will be subject to regulatory and shareholder approvals, vessel availability and receipt of funding (as outlined further below).

RL Energy has advised Asset and Bounty that it is RL Energy's intention to pursue the "expedited option" contemplated under the term sheet. This option involves completion of the present PEP11 year 5 work commitment of at least 500km² of 3D seismic at the earliest opportunity and prior to an exploration well being drilled (which is the present PEP11 year 4 work commitment). RL Energy expect to fund 85% of the Joint Venture's costs of completing the 3D survey (which will be conducted in the two phases outlined below) up to a maximum of \$4M.

The first phase of the 3D seismic survey will include preparation of the environmental plan specific to the 3D survey and obtaining necessary approvals. Asset Energy has provided MMR with documentary evidence in the form of a bank statement of Rubylloyd Pty Ltd (RL Energy's sole shareholder) which demonstrates that sufficient funds are available for RL Energy to discharge its obligations in respect of phase 1 of the Farm-in Agreement without recourse to third party funding. Phase 1 is anticipated to be at a cost around \$300,000. The second phase will involve the contracted vessel operations for the acquisition of the 3D survey.

To ensure compliance with the permit commitments and obligations, Asset and Bounty will continue to move forward with the approved 2D seismic program while negotiations are continuing with RL Energy.

Further, following consultation between the Company and the Australian Securities Exchange ("**ASX**") 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 will be required to comply with Listing Rules 10.7 and 10.10 as this transaction proceeds. The Company will seek shareholder approval and an independent expert report will be included in the notice of meeting provided to shareholders.

By order of the Board

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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