



10 April 2019

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

via e-lodgement

Dear Sir/Madam

LETTER FROM THE CHAIRMAN

In light of all the negative announcements, I believe it is timely that I write to all shareholders to reconfirm the Company's commitment to striving to develop and create long term value for the Company and all shareholders.

There are three aspects to our plans for the Company: Firstly securing and maximising the future of the existing assets, particularly the Company's investment in PEP11 through our 53% owned subsidiary, Advent Energy Limited (**Advent**): Secondly, maximising the Company's benefits in holding a Pooled Development Fund registration and to this end we have had approval to vary MEC's approved investment plan to include technology investments that may have application not limited to the resources sector; and thirdly to introduce new projects and shareholders to move the Company forward. To that end the Company has just announced an entitlements offer so all existing shareholders will have an opportunity to participate and be part of what I see as a "re-launch" of the Company.

Re-confirming our commitment to PEP11

The key asset of the Company is the PEP11 project, which, given its proximity to the east coast gas market, is in an excellent location to exploit any gas discoveries. Advent itself is a public but unlisted Australian oil and gas exploration company, which also holds petroleum titles in the onshore Bonaparte Basin in the far north-east of Western Australia and north-west Northern Territory in Onshore Energy. Our commitment to Advent and PEP11 is patently obvious: despite only owning 53% of Advent, MEC funds 100% with no recent contributions from other shareholders.

The Board (including two members who are geoscientists each with decades of industry experience) is unanimous in its belief that **3D seismic data must be obtained** over PEP 11 to ensure that the next exploration drilling programme in PEP11 is designed as efficiently as possible, and will give the project the optimal chance of success. The farmin agreement with RL Energy (see ASX release 4 May 2018) , supported by MEC shareholders at a meeting in July 2018, was and is fully endorsed by the board of MEC Resources as a pragmatic arrangement in line with market norms and that has the potential to give the PEP11 project the impetus it deserves.

Farminee RL Energy, together with Operator Asset Energy and joint venture partner Bounty Oil & Gas, continue to progress the Environmental Plan to be lodged with the National Offshore Petroleum Safety and Environmental Management Authority (NOPSEMA). Updated regulations increasing transparency of the environmental plan assessment process are being implemented into the strategy of the

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Environment Plan preparation. The market will be kept informed upon its submission to NOPSEMA and the assessment process thereafter.

Bonaparte Basin Project

Furthermore, Bonaparte Petroleum's proposed acquisition of Onshore Energy and its onshore Bonaparte Basin titles (see ASX release 28 September 2019) is good outcome for all parties, and one which the Board wholly supports.

The transactions that Advent Energy have achieved will, upon full satisfaction, enable significant progress in those petroleum assets with little or no financial contribution from Advent, while maintaining a material interest in those assets.

A listed Pooled Development Fund

In continuing to add value to all shareholders, the Board of MEC wishes to maximise the Company's benefits of holding a Pooled Development Fund registration. The Company has been investigating a number of new potential investment opportunities, including, but not limited to, entities involved in the following sectors:

- Mineral exploration and production, inclusive of key battery storage minerals such as nickel (Ni), lithium (Li), vanadium (V) and other high value minerals such as gold (Au) and strategic base metals;
- Petroleum exploration and production projects and technologies;
- Renewable energy projects;
- Energy management and efficiency technologies.

In support of its investigation of new additional investments, the company has recently successfully applied to the Innovation Investment Committee of Innovation and Science Australia to vary MEC's approved investment plan under the *Pooled Development Fund Act 1992*. This enables MEC to invest in additional sectors incorporating technology and/or services that may have application not limited to the resources sector, such as IT, financial, power and energy sectors.

Rights Issue

Very strong consideration was given to the current Rights Issue offering price. Existing shareholders are entitled to acquire more shares in the Company at a price below the existing market price at the time the offer was made, and with no transaction fees. Thus, the current Entitlement Issue presents a very exciting opportunity to move this Company forward into the modern world, considerate of the potential investments summarised above. Shareholders can be reassured with the comfort of Advent and its assets being progressed and supported by the transactions entered into with RL Energy and Bonaparte Petroleum.

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Moving Forward

Challenges continue to present themselves to the Company, including ongoing legal cases that the Company will continue to contest in the best interests of the Company, its shareholders and justice. Since I joined the MEC board in July last year there has been far too much time spent on “putting out fires” and responding to various legal actions and not enough on growing the company through injecting new projects and introducing new shareholders. I look forward to continuing to support the existing activities of Advent Energy and its petroleum assets, plus reporting on new and exciting investments capable of making a sustainable shift in the fortunes for all MEC Resources’ shareholders.

Finally, the Board is united in its gratitude to the outgoing Managing Director, Ms Ambrosini, for her tireless efforts to achieve successful commercial outcomes for MEC on behalf of all its stakeholders.

Yours faithfully,

A handwritten signature in black ink, appearing to read "Michael J Sandy".

Michael J Sandy
Chairman

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% interest in Asset Energy Pty Ltd and Onshore Pty Ltd.

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.

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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 including an option to use the imputation credits attached to the franked dividends to offset other tax obligations.

Investors are not entitled to deductions or capital loss on the sale of their shares.

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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