



Monday, 28 November 2016

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

Dear Shareholders,

CHAIRMAN'S UPDATE

I am pleased to provide the following update of the activities of MEC Resources Ltd (ASX:MMR) to its shareholders.

Change in Management Structure

You will be aware that the services agreement between MEC Resources Ltd, Trandcorp Pty Ltd and Mr David Breeze for Managing Director services was terminated last week in accordance with the provisions of this contract. In accordance with this contract Mr David Breeze was also terminated as a director of MEC Resources Ltd. Following numerous discussions with shareholders the Board wishes to reaffirm its intentions to create value for its shareholders, and has determined that a fresh approach is needed.

In the transition to a new board appointed leadership, I will take over the role previously undertaken by Mr David Breeze, along with the assistance of Mr Tobias Foster, a long term employee of the Company. We will, following an extensive search, install a suitably experienced and qualified leader to fulfil the vision of the Company.

I am pleased to also report that the remaining Board members have agreed to reduce their Director fees to a nominal amount of \$1 during this transition phase. Director fees had previously been accrued for each Director over the last three years.

MEC's Assets

As you are aware, MEC Resources Ltd is a registered Pooled Development Fund under the *Pooled Development Fund Act 1999* ("PDF Act"). This provides most shareholders with Capital Gains Tax free investing and dividends. In addition, MEC Resources' corporate tax rate is 15%.

MEC Resources' investment mandate under its registration pursuant to the PDF Act is to target new and emerging companies in which investments have the potential to yield significant returns. The Company will favour investments into exploration companies targeting potentially large energy and mineral resources. Our investment scope will assess all energy and mineral sectors, and we welcome the opportunity to engage with suitable enterprises in the future that may be seeking ASX exposure.

To date, MEC Resources has invested in Central Petroleum Ltd, now an ASX listed Oil and Gas exploration and production company, and Advent Energy Ltd, an unlisted Oil and Gas exploration company. Divestment of the Central Petroleum shareholding has already occurred, and MEC Resources Ltd still holds a significant investment (44.29%) of Advent Energy Ltd.

MEC Resources Ltd

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Advent Energy Ltd holds petroleum exploration titles in the offshore Sydney Basin (PEP11, 85% and Operator), and the onshore Bonaparte Basin (EP386 and RL1, both 100% and Operator).

PEP11 holds significant structural targets potentially capable of comprising multi-Tcf natural gas resources. The offshore Sydney Basin has been lightly explored to date, including a multi-vintage 2D seismic data coverage and a single exploration well, New Seaclem-1 (2010). Its position as the only petroleum title offshore New South Wales provides a fantastic opportunity should natural gas be discovered in commercial quantities in this petroleum title. It lies adjacent to the Sydney-Newcastle region and the existing natural gas network servicing the gas-starved east coast gas market. The impact of restrictive onshore exploration policy in NSW and Victoria in conjunction with the rise in export of natural gas resources as LNG from Queensland has placed the domestic east coast gas market in a parlous state considering the inability of gas reserves to meet market demand beyond approximately 2019, as forecast by the Australian Energy Market Operator.

The EP386 and RL1 petroleum titles lie in the onshore Bonaparte Basin, one of Australia's most prolific hydrocarbon producing basins. Within these titles an independently certified 2C Contingent Resource of 11.5 Billion cubic feet (Bcf) (1C is 0.25 Bcf and 3C is 45.8 Bcf) has previously been announced for the Weaber Gas Field in RL1. This field lies immediately adjacent to the Project Sea Dragon aquaculture project proposed by the Seafarms Group which is planned to potentially grow to a 100,000 tonne export project. This project has Major Project Status across multiple jurisdictions, and Advent Energy has previously signed a letter of intent for the potential supply of natural gas to Project Sea Dragon.

Across EP386 and RL1, the majority of petroleum exploration wells were successful in encountering hydrocarbons. The petroleum wells Waggon Creek-1, Vienta-1 (EP386) and Weaber-4 (RL1) are cased and suspended as future producers.

The present global market conditions for Oil and Gas assets present considerable challenges moving forward, however your Board is committed to supporting Advent Energy in ensuring its petroleum title assets are provided the best opportunity for value creation restoring long term value for our shareholders. In addition, we will undertake a strategic review, led by an appropriate expert with deep industrial knowledge, of our assets given present market conditions and forecasts.

I wish to thank the loyal shareholders for their continued support during this global downturn in petroleum markets and wish to stress my unwavering commitment to improving the future prospects for your company. Your constructive feedback is always encouraged and we look forward to engaging further with you as we strive to maximise your investment.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Goh Hock', with a horizontal line extending from the end.

Mr Goh Hock
Chairman

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