9 November 2018

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

via e-lodgement

Dear Sir/Madam

I am pleased to be able to provide you with an update on the planned activities of MEC Resources and its investments. In doing this I will also address the viability of a proposal that has been put to the Company by a small group of shareholders in relation to the PEP 11 permit, a proposal to drill a well in the near term rather than undertaking 3D seismic prior to any potential exploration drilling.

As we have stated previously, the MEC board, both past and present, firmly believe that the "drill now" option is neither commercially feasible nor in the best interests of your Company.

The Board has formed this view based on the following:

- MEC currently has a market cap of circa $4M with 342M shares on issue at a current share price in the range of $0.012 to $0.016.
- A new PEP 11 well has been estimated to cost between AUD$16M and $25M, being the dry hole cost. In addition, funds must be available for contingencies (for instance drilling problems) and for testing and completion if required.
- It is important to note that the New Seaclem well, drilled in PEP 11 in 2010 was drilled to a shallow depth (just 750m), the drilling was relatively trouble-free, and testing was not required – yet it still cost ~A$28M**.
- The new MEC board considers that a minimum of A$30M to $35M will be required for a new deep water well (and there are many examples of more expensive offshore Australian wells to back up this estimate).
- A raising of that scale by MEC in today's market, would: have to be undertaken at a notable discount to the current share price; result in over several billion additional shares being issued: and dilution of existing MEC shareholders would most likely exceed 90%!
- Add to this – without the benefit of 3D seismic, the exploration well is likely to have a technical Chance of Success of around 15% (typical of wells drilled in frontier basins) which means there is an 85% chance it will fail. The proposed 3D seismic will reduce the risk of failure ahead of the larger investment in an exploration well.
- The Board has extensive experience in negotiating farm-in with larger Oil and Gas (O&G) companies and has held a number of discussions regarding PEP 11. What is clear is that many of these O&G companies **would only consider drilling** if a 3D seismic survey had been undertaken.

The alternative path to "drill now", introduced by the previous board and strongly favoured by your new board, is to have another party fund a 3D survey to reduce risk ahead of drilling.

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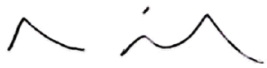
- Under the terms of the proposed RL Energy deal, Advent through MEC **does not** have to contribute to the costs of the 3D seismic, which is current estimated to be around AUD$4.7M.
- MEC has the benefit of being able to wait until a farmout deal is consummated with a larger company to undertake drilling.
- At that stage, depending on the farmout terms, MEC will have the option to determine its appropriate level of participation in the well.
- The end result for MEC is:
    - less risk;
    - less dilution for existing shareholders;
    - a manageable number of shares on issue; and
    - MEC will not become a "one-hit wonder"

In terms of considering the risk-reward mix and the best future options for our shareholders, the MEC board is very comfortable with this approach.

Your Board is able look at new projects and use future available sources of funds to undertake them. This includes making use of the tax advantages to shareholders associated with MEC's status as a pooled development fund. The board is continuing to assess energy related projects which are of a size appropriate to MEC, and which show the potential to provide near to medium term revenue.

We will continue to keep shareholders appraised of our efforts aimed at turning around the fortunes of your company. We welcome comments and feedback from all shareholders and encourage you to contact the Company with your questions.

Your faithfully



Michael J Sandy
CHAIRMAN

** Notes on the New Seaclem well

- It was drilled in what is considered to be a very poor location;
- It is highly likely that if 3D seismic had been undertaken prior to drilling, it would not have been drilled at that location;and
- In that case, the $A28M that well cost could have been used to drill a far more attractive and prospective target.

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