



28 September 2018

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

via e-lodgement

Dear Sir/Madam

BINDING TERM SHEET BETWEEN ADVENT ENERGY, ONSHORE ENERGY & BONAPARTE PETROLEUM

MEC Resources Ltd (ASX: MMR) (the “**Company**” or “**MEC**”) is pleased to advise of the signing of a binding and exclusive term sheet for the majority sale of Onshore Energy Pty Ltd (“**OE**”) to Bonaparte Petroleum Pty Ltd (“**BP**”).

OE is a wholly-owned subsidiary of MEC’s investee company, Advent Energy Ltd (“**Advent**”), and presently holds 100% of EP386 and RL1 in the onshore Bonaparte Basin, Western Australia and Northern Territory (respectively). BP will acquire 90% of the fully paid ordinary shares in OE currently held by Advent (the “**OE Shares**”). The leadership team at BP have demonstrated to Advent that they have the exploration, development and production experience and skills in the Australian onshore petroleum sector to effectively progress the EP386 and RL1 assets.

As consideration for purchase of the OE Shares, BP must:

- submit suitable documentation to the Western Australian Department of Mines, Industry Regulation and Safety (DMIRS), on or before 31 October 2018, for the drilling of one or more exploration wells, decommissioning of two existing wells, and for the acquisition of at least 50 km new 2D seismic data within EP386;
- do all things necessary to cause OE to effect the drilling of one or more exploration wells and acquire at least 50km of new 2D seismic data in the current term of EP386, currently due to conclude 31 March 2020. This is anticipated to be achieved within the next northern dry season; and
- fund 100% of the costs of the above scope of work.

Further key terms of the agreement include:

- Upon the declaration of one or more new production licence or retention licence(s) consistent with or within the current boundaries of EP386 or RL1, BP will issue a 10% participating interest in each new licence to Advent, and the parties will enter into a standard joint operating agreement. Concurrently with the issue of the first new licence, Advent will also earn a 10% stake in BP, and transfer the remaining 10% of OE to BP.
- Advent will earn a further 10% in each new granted title in the event 15 million barrels of oil equivalent 2P reserves, as defined by the SPE PRMS, are independently certified in that title.
- Advent maintains an option whereby it has rights to earn back in to RL1 should it choose to fund conversion of RL1 into a production licence and corresponding field development within two years. Advent also will be reimbursed existing debt by OE upon future production milestones being met.
- In the event EP386 is neither renewed upon conclusion of its current term or a retention or production licence is not granted, Advent will resume direct ownership and operation of RL1.
- In recognition of the competitive market for Advent’s onshore Bonaparte Basin assets, BP will pay a break fee (of A\$50,000) to Advent in the event BP chooses not to proceed with the transaction.

MEC Resources Ltd

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The agreement is conditional upon:

- the prior approval of the Boards of both Advent and BP;
- BP demonstrating funding arrangements capable of satisfying the exploration objectives in EP386 described above, and to the satisfaction of Advent within 90 days of the date of the term sheet. Advent is not aware of BP's existing funding capacity at this stage; and
- if required by the ASX, approval by MEC's shareholders.

Commenting on the agreement, Advent Chairman Hock Goh stated:

"We are very pleased to have achieved this agreement with Bonaparte Petroleum. Their future success in this gas and oil rich basin will have lasting benefit to the region, Advent Energy and its shareholders. We wish Bonaparte Petroleum every success in progressing these assets and will facilitate their involvement to hit the ground running."

Furthermore, MEC Chairman Michael Sandy said:

"This is a significant step forward for MEC's investee Advent Energy. It provides a much needed stimulus to the onshore Bonaparte Basin assets, whilst providing a significant upside to Advent upon further exploration success in this highly prospective region. It also enables real savings on forward expenditure, thereby giving MEC the opportunity to consider an expanded investment portfolio, and to start taking full advantage of its status as a Pooled Development Fund."

BP Director Mike Adam added:

"The team at Bonaparte Petroleum welcomes the opportunity to put its many years of 'roll up your sleeves' local and international experience to use in developing the proven hydrocarbon resources in the onshore Bonaparte Basin. We have proven, cost-effective technology that we propose to utilise, along with a low overhead business model, to fully appraise the shallow oil potential of this region which, although lightly explored, has already yielded five discoveries.

We hope to build on this knowledge to date, and with the support of our shareholders and partners, aim to bring these discoveries into production. BP looks forward to the safe, effective and sustainable development of the resources, in conjunction with the local indigenous and business communities and other stakeholder groups."

Yours faithfully

A handwritten signature in blue ink, appearing to read "D Ambrosini", is written over a light blue circular stamp.

Deborah Ambrosini
Executive Director, CFO and Company Secretary

About Bonaparte Petroleum Pty Ltd

BP is a newly formed company, majority owned by Mike Adam and comprised of industry professionals who have a long history of working together. It has a seasoned mix of geological and geophysical experts, hands-on asset managers and engineers, and proven corporate management with multiple ASX listings and successful fundraising transaction experience. It employs a low overhead business model, and employs innovative, cost-effective oil and gas exploration techniques, with minimal disruption to the community, minimal impact to the environment, and maximum benefit for all stakeholder groups. BP is led by chemical engineer Mike Adam, Managing Director, who has had a long career with Ampolex, Apache Energy, Origin Energy and Empire Oil & Gas, before bringing the mothballed Jingemina oil field in the Perth Basin back into production in 2017 for Singaporean investor RCMA.

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