

1 February 2023

UPDATE FOR THE QUARTER ENDING 31 DECEMBER 2022

MEC Resources Ltd (ASX: MMR, ACN 113 900 020) (“**MEC**” or “the **Company**”) is pleased to provide its Quarterly Report & Appendix 4C (Quarterly Cashflow Report) for the quarter ended 31 December 2022.

Operational Update

MEC has a non-controlling interest in the unlisted energy explorer Advent Energy Ltd (“**Advent**”) of 38.27%.

Advent holds a range of energy-based opportunities via its investee company Advent. Via Advent the Company has been assessing new investment opportunities, where there are ever increasing obligations to provide energy solutions with a responsible management and protection against carbon emissions. The transitioning from hydrocarbons such as coal and oil to hydrogen, produced with no emissions is now presenting real economies and growth globally. Although natural gas also presents continued growth and will play a role for many years to come, it too will need to become a source of energy with no CO2 emissions.

MEC continues to monitor its investment in Advent and has representation on the board of Advent in directors Anthony Huston and David Breeze.

Advent Energy has provided the following information to MEC

PEP 11 Joint Venture

Advent’s (MEC 38.27% direct interest) 100% subsidiary Asset Energy Pty Ltd (“**Asset**”) has applied to the Federal Court pursuant to section 5 of the Administrative Decisions (Judicial Review) Act 1977 (Cth) and section 39B of the Judiciary Act 1903 (Cth) to review the decision of the Commonwealth-New South Wales Offshore Petroleum Joint Authority (Joint Authority), constituted under section 56 of the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth) (Act), to refuse to vary and suspend the conditions of Exploration Permit for Petroleum No.11 (PEP 11 Permit), pursuant to section 264(2) of the Act, and to refuse to extend the term of the PEP 11 Permit, pursuant to section 265 of the Act. Asset is a 100 % owned subsidiary of Advent Energy Ltd and has lodged the appeal as Operator for and on behalf of the PEP11 Joint Venture Partners, Bounty Oil and Gas NL (ASX:BUY) and Asset.

The PEP11 interests are:

- Advent Energy 85 %
- Bounty Oil and Gas NL 15%

On 5 October 2022, a bundle of documents relating to the former Prime Minister’s purported decision were provided to the Federal Court of Australia by the Commonwealth Minister for Resources by Asset Energy.

On 25 October 2022 the Company provided a further PEP11 update by investee Advent noting that Asset Energy has now lodged an amended originating application for judicial review claiming in particular:

1. In making the Decision, the Former Prime Minister breached the requirements of procedural fairness in that he predetermined the Application and the purported decision was infected by actual bias.
2. Further or in the alternative, there was a reasonable apprehension of bias, in the form of predetermination, on the part of the Former Prime Minister, such that there was a denial of procedural fairness.
3. Further or in the alternative, in making the Decision, the applicant was denied procedural fairness because the Former Prime Minister, before determining the merits of the Application, failed to take into account the submissions made by the applicant dated 22 January 2022.
4. Further or in the alternative, in making the Decision, the applicant was denied procedural fairness because the applicant was not provided the opportunity to respond to issues raised by NOPTA in relation to the applicant's financial capacity.
5. Further or in the alternative, the Decision is void and of no effect because the Former Prime Minister was not validly appointed as the responsible Commonwealth Minister of the Joint Authority to administer the Department.

Following revelations that Scott Morrison took responsibility in a number of portfolios including Resources, Prime Minister Anthony Albanese sought advice as to whether Mr Morrison's appointments and decisions (which includes the PEP-11 decision) were beyond power.

Taranaki Basin - New Zealand

On 15 December 2022 MEC advised that, subsequent to its ASX announcement of 5 April 2022, its 38.27% associate Advent's 100% subsidiary Aotearoa Offshore Limited ("**AOL**" or "**Farminee**") has given notice to OMV New Zealand Limited ("**OMV**" or "**Farminor**"), under clause 4.3.6 of the Farm Out Agreement ("**Agreement**") executed on 24 December 2021, that it was terminating the Agreement.

Clause 4.3.6 of the Agreement states that if Condition Precedent 4 is not satisfied within 6 months (or such other date that the Farminor or Farminee may agree in writing) of submission of the application to the New Zealand Minister ("**Minister**") responsible for the administration of the Crown Minerals Act 1991 ("**Act**") for the Minister's approval ("**Application**"), either party may terminate the Agreement by notice to the other party. The recently disclosed potential acquisition of the OMV oil and gas business by US financial investor Carlyle also introduced a material uncertainty into the planning process necessitating a review by Advent of the Agreement.

Advent advised that OMV had returned US\$1.621 million (approximately A\$2,423,000) to AOL in accordance with the termination of the Agreement. The US\$1.621 million represents the Earning Costs 1 ("**Earning Costs**") based on Agreement clause 5.1 paid by the Farminee to the Farminor in early 2022. As a consequence of the termination of the Agreement the Advent group repaid BPH Energy Ltd ("**BPH**") before 31 December 2022:

- the A\$2,257,345 loan from BPH to pay for the Earning Costs 1
- the A\$800,000 BPH loaned the Advent group to fund Year 1 exploration costs
- accrued interest on these loans of A\$146,152

Clean Carbon Transaction

On 2 August 2022 MEC announced that, following a meeting of BPH shareholders on 21 June 2022 at which point shareholders voted unanimously to approve to make an investment in hydrogen technology company Clean Hydrogen Technologies Corporation ("**Clean Hydrogen Technologies**" or "**Vendor**"), BPH and Advent had settled for the acquisition of a 10% interest in Clean Hydrogen Technologies for \$1,000,000 USD (8% BPH and 2 % Advent).

As announced previously BPH and Advent had a further first right of refusal ("**ROFR**") to invest in Clean Hydrogen Technologies to a maximum of a further US\$1,000,000 for a further 10%, on or before 31 December 2022. The ROFR conditions were amended such that it exists when (i) the Vendor does not seek a Series A investment in its equity securities comprising a minimum investment of US\$3,000,000 by 30 April 2023, where such investment values the Vendor in excess of US\$20,000,000 (such investment, a "**Qualified Financing**"), and (ii) the Vendor determines, in its sole and absolute discretion, that it requires at least a further US\$1,000,000 investment for continued development and operations. Subject to the above, should the Purchaser exercise the ROFR, it must do so within 1 month of the Vendors request for the Additional Funding. The consideration payable is an aggregate of US\$1,000,000, comprising of \$US800,000 by BPH and US\$200,000 by Advent ("**Additional Cash Consideration**") subsequent to which BPH shall hold a total 16% interest in Clean Carbon and Advent shall hold a total 4% interest in Clean Carbon (based on the assumption that Clean Carbon has not issued any additional Clean Carbon Shares prior to the Right being exercised).

Corporate Update

PDF Status

MEC was notified on 5 February 2021 by the Innovation Investment Committee of Innovation and Science Australia (the "Committee") that the Committee had revoked MEC's PDF registration as a result of the Company contravening ss19(1), 27, 27A and 42 of the Pooled Development Fund Act 1992 ("**PDF Act**").

Following this notification on 1 March 2021 MEC informed the PDF Committee that it would exercise its right of review, had appointed legal counsel on the matter and would provide further information to the Committee and further noting on 12 March 2021 that it was informed by the Department of Industry, Science, Energy and Resources that it would commence a review of the decision that led to the revocation of MEC's PDF registration. MEC confirmed that the internal review is a merit-based process and enables a decision maker (not involved in the first decision in this circumstance) to take a fresh look at its original decision.

On 6 May 2021 MEC announced that the Delegate of Innovation and Science Australia, as required by s55(5) of the PDF Act, has reconsidered the Committee's decision of 3 February 2021 and following review of further information provided by MEC on 18 March 2021 and 15 April 2021, the Delegate has informed MEC via letter dated 30 April 2021 that he confirms the Committee's decision of 3 February 2021 to revoke MEC's registration declaration as a PDF under s47 of the PDF Act.

Following the decision from the Delegate of Innovation and Science Australia, MEC announced on 13 May 2021 that it had applied, through its legal representative, to the Administrative Appeals Tribunal under the Administrative Appeals Tribunal Act 1975 for review of the decision by the PDF Board. This appeal notice was lodged on 12 May 2021 well within the lodgment deadline of 28th May 2021.

On 30 September 2021 MEC filed written submissions to the Administrative Appeals Tribunal in support of stay application pursuant relating the revocation of its PDF status. This was followed by an interlocutory hearing on the 18 October 2021 the result of which was that no decision was given on the 18 October 2021 and further no timeframe provided as to when a decision would be given.

On 3 November 2021 the Administrative Appeals Tribunal advised the Company that it had refused MEC's request for a stay in relation to the revocation of its PDF registration.

On the 27 & 28 January 2022 the Company attending its Administrative Appeals Tribunal (**AAT**) hearing. Following this MEC completed and lodged its final written submissions. The Company has completed its written closing submissions and attended a final oral hearing at the AAT in closing the Company's case on 9 June 2022.

As at the date of this quarterly report the Company has not received any further notifications and as such continues to await a final decision in relation to this process.

Changes to the Administrative Appeals Tribunal

During December 2022 the Government announced it will establish a new system of administrative review that is user-focused, efficient, accessible, independent and fair.

As part of these changes the Government will abolish the AAT and replace it with a new federal administrative review body.

All matters currently before the AAT will continue. The Company notes that the Government has stated that cases currently before the AAT will be finalised before the new federal administrative review body is established. Once the new body is established, any remaining cases will transition to the new body.

The Attorney-General will introduce legislation into Parliament in 2023 to establish the new federal administrative review body.

The Company will continue to manage and monitor the PDF appeal process. In addition, MEC will engage further with the ASX in relation to the PDF status following reservation of the decision at the AAT hearing.

ASX Suspension Status

The Company's shares are currently suspended from the ASX however the Board continues to liaise and provide information to the ASX as it works towards the return of its shares to trading status.

On 12 January 2022, the Company made a further formal submission to the ASX following its original submission on 16 December 2020 which included a shareholder meeting seeking approval of various resolutions the aim of which is to have MEC readmitted to trading status.

On 13 September 2022 the Company made a further follow up submission.

The ASX is currently considering the Company's submission and as at the date of this quarterly report no further response has been received from the ASX.

Notice of Meeting & Capital Raise

The Company is also working on an entitlement offer document which it expects to complete following feedback from the ASX in relation to its submission of 13 September 2022. Status of this matter has not changed since the September 22 quarterly report.

The Company advises that during the quarter ending 31 December 2022 the amount of \$12,446 was advanced by BPH under a formal funding agreement to assist MEC with its short term working capital. The funding agreement carry an interest rate of 7%.

As at 31 December 2022 the total advances to MEC via funding agreements stands at \$157,958 which includes interest of \$5,135.

Funds advanced by BPH are to be repaid once the capital raise is completed by MEC.

We once again thank you for your continued patience, support and welcome your questions/comments regarding the Company.

If you have any questions, please do not hesitate to contact David Breeze on 08 9328 8477 or email info@mecresources.com.au.

This announcement has been approved by the Board of Directors of MEC.

David Breeze
Managing Director
MEC Resources Ltd