

ASX ANNOUNCEMENT

20 May 2024

PEP11 UPDATE - MEDIA RELEASE

PEP 11 - Appointment of Klarite Pty Ltd to Initiate Environmental Management of Seablue-1

MEC Resources Limited (“**MEC**” or the “**Company**”) (ASX:MMR) highlights the following information in relation to its 38.27% investee company, Advent Energy Ltd (“**Advent**”).

Advent through its wholly owned subsidiary, Asset Energy Pty Ltd (“**Asset**”), have engaged Klarite Pty Ltd (“**Klarite**”), to initiate environmental management of the Seablue-1 exploration well, due to be drilled in PEP-11, pending the current application for licence variation, suspension and extension (“**Application**”), regulatory approvals and rig availability.

Klarite are a Perth based turnkey environmental consultancy specialising in offshore development in Australia, who recently prepared a detailed Environmental Approvals Strategy for the Seablue-1 exploration drilling activity for Asset.

Due to the critical need for new domestic supplies of gas as stated in the Federal Government Future Gas Strategy (see below) Asset have decided to commence work necessary for environmental approvals in advance of the PEP-11 licence Application approval, in order to be prepared to drill the Seablue-1 well, as soon as possible thereafter.

Klarite will develop an Environmental Management process which will define Asset’s consultation and negotiation basis with relevant persons and assess environmental impacts.

Future Gas Strategy

The Federal Government Future Gas Strategy (“**FGS**”) and supporting documents were released by Minister for Resources Madeleine King on 9th May 2024.

The FGS confirms that that gas will have a role to play in the transition to net zero by 2050 and beyond.

The FGS states that exploration and development should focus on optimising discoveries and infrastructure in producing basins where gas will be proximal to where it is needed and will be lower cost than relying on LNG imports.

Many of the arguments made in the FGS document support the case for drilling at Seablue-1 in PEP-11:

- New sources of gas supply are needed to meet demand during the economy wide transition.
- Arguments that Australia could divert gas developed for export fail to recognise the domestic gas market’s reliance on supply from gas export projects.
- We have mechanisms to divert uncontracted gas to the domestic market through the Australian East Coast Domestic Gas Supply Heads of Agreement, and contracted export gas to the domestic market through the ADGSM, which is a measure of last resort. These are, however, only able to ensure gas supply for the southern states within the limits of existing infrastructure constraints to transport the gas to market.

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- LNG imports risk embedding high gas prices:
 - *../. a number of LNG import terminals have been proposed for the east coast. Any gas supplied through such LNG import terminals could be more expensive than gas developed closer to demand centres. This is because international LNG prices are historically higher than domestic gas prices and because of the costs associated with converting gas to LNG, transporting it by sea then regassing it at port, before its onward transport by pipeline.*
 - *../. gas is more affordable in locations where ../.gas is consumed where it is produced*
- Section 7.1 of the analytical report behind the FGS: *...the east coast gas market could have sufficient gas supply to meet domestic (and LNG export) demand for many years if additional (above forecast) gas supply can be developed from existing 2P reserves, possible reserves, contingent and prospective resources. However, this will require both forecast and new projects to be developed in the required time frame.*

References:

1. Australian Government Future Gas Strategy, May 2024 [Industry.gov.au/](https://www.industry.gov.au/)
2. Berge 2010 Independent Expert Report-Permo Triassic as released by MEC Resources to the ASX 22nd Dec 2010 and the BPH PEP11 Clarification Announcement dated 21st March 2023

This announcement contains information extracted from previous ASX releases. The Company is not aware of any new information or data that materially affects the information included in the original market announcements and that all material assumptions and technical parameters underpinning the estimates in the relevant market announcement continue to apply and have not materially changed.

David Breeze (Managing Director) authorised the release of this announcement to the market.

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