

27 November 2024

Dear Shareholder

## **2024 AGM CHAIRMANS ADDRESS**

As announced MEC has received written confirmation from the Australian Securities Exchange ("ASX") that the Company's shares will be reinstated to trading on the official list of ASX, subject to the satisfaction of certain conditions precedent. MEC have provided all of the information to ASX in order to satisfy the conditions precedent and will update the market accordingly once that confirmation is received.

PEP11 continues to be a primary focus of MEC's investee Advent Energy Ltd and this focus has been validated by recent key energy reports, in particular the ACCC Gas Inquiry 2017-2030 Report released on 7 July 2024<sup>1</sup>.

The ACCC Gas Inquiry report has stated:

- "There is an urgent need to develop new sources of gas production and supply.
- Natural gas is expected to play a critical role in ensuring the reliability of energy supply as Australia increases its reliance on renewable sources.
- The east coast gas market may experience gas supply shortfalls as early as 2027 (to mid-2030s) unless new sources of supply are made available.
- AEMO's (Australian Energy Market Operator) 2024 GSOO (Gas Statement of Opportunities) has also highlighted the risk of peak-day shortfalls from 2025 under extreme peak demand conditions.
- Ensuring efficient supply to the east coast market would also be supported by increased competition in upstream production.
- The use of import terminals does not obviate development of domestic sources of supply. .... continued domestic gas production will be important to limit risks to Australia's energy security and market stability.
- For larger industrial users, where gas is used as a core component in manufacturing and chemical processes and reducing gas usage may not be technically or commercially feasible in the foreseeable future.
- The ACCC and AEMO have increasingly noted that an orderly transition will require more gas to be brought online to meet expected demand. ... a core policy challenge is ... maintaining energy security and affordability.
- On the fundamental concern of continuing supply, (The ACCC) analysis indicates that gas production in the southern states will decline over the short and medium term.
- Gas fields in the Gippsland basin, the primary source of gas for the southern states in the past, are reaching the end of their productive lives. There are no projects yet to be approved that could come online in time to prevent a shortfall in 2025."

### Key further points

- "The potential emergence of supply shortages... is due to: ▪ increases in forecast gas consumption for GPG as a firming power source in the National Electricity Market, especially during winter... the retirement of coal generation post-2030 will increase demand for gas-based firming.
- Decreases in forecast supply due to a combination of delays in new gas projects still awaiting regulatory approval, and production problems in legacy gas fields.

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- The southern states are expected to rely on gas transported from Queensland for the foreseeable future unless new sources of supply are made available. However, from 2029 Queensland will also require new sources of supply.
- Forecast production is from the Bowen (including the north Bowen), Surat, Galilee, Cooper, Gippsland, Bass, Otway, Gunnedah and Sydney basins.
- ACCC ... have excluded production and expected supply from the Northern Territory given continuing production issues in the region.
- There is a risk that the Northern Territory will require gas to be imported from Queensland.

Asset Energy continues to progress the PEP11 joint venture applications for the variation and suspension of work program conditions and related extension of PEP11.

On 6th August 2024, Advent announced that Asset had filed an Originating Application for Judicial Review in the Federal Court seeking the following:

1. A declaration that the Commonwealth-New South Wales Offshore Petroleum Joint Authority has breached an implied duty by failing to make a decision under the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth) with respect to two pending applications relating to Petroleum Exploration Permit NSW-11 (PEP11 Permit); and
2. An order that the Joint Authority be compelled to determine the applications within 45 days<sup>2</sup>.

Asset alleged that the failure by the Joint Authority to make a decision with respect to the applications constitutes a breach of its duty to consider the applications within a reasonable time.

On 18 September 2024, Minister Husic, via NOPTA, gave Asset Energy (Advent's subsidiary) a statement of preliminary views with attachments and invited Asset Energy to provide a response within 30 days. The statement of preliminary views included 45 annexures totaling 1608 pages. Asset Energy provided its response to NOPTA on 15 November 2024.

Following conferral between the parties to the Federal Court proceeding, on 9 October 2024 orders were made vacating the previous orders and adjourning the proceedings to a date on or after 7 February 2025. The parties have liberty to apply to bring the matter back before the Federal Court on 3 days' notice.

Included in the material provided by Minister Husic was a copy of the NOPTA recommendation to the Joint Authority which recommended that the Joint Authority approve Asset's second Application. In the NOPTA Annual Report of Activities 2020-21 it was noted that 54 applications for COVID-19 related suspensions and extensions were approved in that period. The company understands that the Second Application (for COVID-19 relief) made in respect of the PEP11 Permit was the only application outstanding.

Following the close of the MEC Entitlement Offer, the existing cash held by the Company, together with the funds raised under the Offer, and Shortfall Offer, the Company has approximately \$3.36m (after costs of the offer) in cash. This ensures that the Company is adequately funded going forward and as set out in its Prospectus, the Company has developed a clearly defined business framework that covers its strategic goals to develop and commercialize its investments over the first two years following its Re-Instatement, as set out in the Prospectus dated. The Directors are satisfied that the Company will have sufficient working capital to carry out its objectives as stated in its Prospectus.

David Breeze  
Chairman

<sup>1</sup> Australian Competition & Consumer Commission *Gas Inquiry 2017-2030, Interim update on east coast gas market* (June 2024) and released on 5 July 2024.

<sup>2</sup> ASX release by BPH Energy Ltd, "PEP11 Update", dated 6<sup>th</sup> August 2024

<sup>3</sup> AEMO East Coast Gas System Risk or Threat Notice 19062024

<sup>4</sup> ABC News, 'AEMO Threat of Gas shortfall' (20 June 2024), accessible at: AEMO East Coast Gas System Risk or Threat Notice 19062024 [https://www.nemweb.com.au/Reports/CURRENT/ECGS/ECGS\\_Notices/Attachments](https://www.nemweb.com.au/Reports/CURRENT/ECGS/ECGS_Notices/Attachments)