

29 January 2021

Update for the Quarter Ending 31 December 2020

MEC Resources Ltd (ASX: MMR, ACN 113 900 020) ("**MEC**" or "**the Company**") is pleased to provide its Appendix 4C (Quarterly Cashflow Report) for the quarter ended 31 December 2020.

Operational Update

MEC has a non-controlling interest in the unlisted energy explorer Advent Energy Ltd ("**Advent**") of 48.2%.

Advent holds a range of hydrocarbon permits which contain near term production opportunities with pre-existing infrastructure and exploration upside.

Advent's assets include RL1 (100%) in the onshore Bonaparte Basin in the Northern Territory and PEP11 (85%) in the offshore Sydney Basin.

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

The Company has not considered new investments.

Advent Energy has provided the following information to MEC

Investee Advent Energy Ltd (Advent) has submitted to the National Offshore Petroleum Titles Administrator (NOPTA) an application to enable the drilling of the Baleen drill target in the PEP11 permit offshore NSW. The PEP11 Joint Venture has reviewed the work program and now proposes to proceed with the drilling of a well at Baleen subject to approvals from NOPTA and other regulatory authorities, and financing, and has now made application to NOPTA to change the current Permit conditions. The current permit expiry date is in February 2021. The application to NOPTA includes the extension of the permit title for up to two years to enable the drilling and includes an application for the removal of the requirement for a 500 sq. km 3D seismic program. NOPTA has confirmed that this application is now in the final decision phase.

Advent is proposing with its Joint Venture partner Bounty to use the drilling program at Baleen to investigate the potential for CCS - Carbon Capture and Storage (geo-sequestration of CO₂ emissions) in PEP11. CCS can capture CO₂ fossil fuel emissions. Both the International Energy agency and the Intergovernmental Panel on Climate change believe that CCS can play an important role in helping to meet global emission reduction targets. CCS is part of a suite of solutions with the potential to mitigate greenhouse gas emissions and help address climate change. The Sydney Basin is a major contributor to Australia's greenhouse gas emissions and contributes up to 34% of the total national emissions. Independent Government published research has indicated at least 2 TCF (Trillion Cubic Ft) of CO₂ storage may be feasible in the offshore Sydney Basin.

Advent announced the appointment of Professor Peter Cook as an advisor on geosequestration for its project in the Offshore Sydney Basin. Professor Peter Cook is an eminent Australian and international earth scientist. He is a leader in the development and application of carbon capture and storage (CCS) technologies and has published more than 30 papers and articles on greenhouse gas technologies, including the books “Clean Energy Climate and Carbon” and “Geologically Storing Carbon”, and was an IPCC Co-ordinating Lead Author. He first drew attention to Australia’s CCS opportunity more than 20 years ago, then going on to establish national CCS programs and research facilities through the Petroleum CRC and the Cooperative Research Centre for Greenhouse Gas Technologies (CO2CRC). In 2011, the University of Melbourne established the Peter Cook Centre for CCS Research.

Advent Energy’s 100% subsidiary Onshore Energy Pty Ltd (“**Onshore**”) made an application for suspension and extension of the permit conditions in EP386 which was not accepted by the Department (DMIRS). Onshore sought a review of the decision by the Minister of Resources who responded setting out a course of action in relation to that decision which Onshore is following. Onshore has lodged an appeal against this decision with the State Administrative Tribunal (SAT).

Advent raised \$45,000 cash in the quarter by the issue of 900,000 shares at 5 cents per share. In addition, on 30 December 2020 Advent lodged an Offer Information Statement with ASIC for a non-renounceable entitlement issue of two (2) Shares for every three (3) shares held at an issue price of \$0.05 (5 cents) per Share to raise up to \$6,525,108. It is proposed that the closing date of the Offer is 5:00pm (WST) on 26 February 2021. The Advent Directors reserve the right to extend this date without notice. The Offer is partially underwritten by Grandbridge Securities Pty Ltd (ABN 84 087 432 353) (AFSL 517246) up to the amount of \$1,000,000. Grandbridge Securities Pty Ltd is also Lead Manager to the Offer.

Corporate Update

On 2 October 2020 the Company announced it entered into a standstill agreement with both Advent Energy Ltd and Asset Energy Pty Ltd in relation to the writs and demands issued by both Advent and Asset the effect of which is to allow the parties to negotiate a resolution of the pending claims.

Following legal and audit consultation by MEC directors Douglas Verley and Andrew Jones and further negotiations with Advent and Asset a resolution and settlement has been reached which was announced on 14 December 2020.

Key points to note are as follows;

- MEC holds a 48.2% interest in its investee company Advent, which is owed a total of \$242,155 by MEC. Further, Advent owns 100% of Asset which is owed a total \$593,343 plus interest and costs of \$36,790 by MEC giving a total of \$872,288 arising for outstanding loans owing (together known as the **Advent Debt**).
- Following advice from its legal advisor and the Company auditors MEC has acknowledged the Advent Debt.
- MEC, and Advent and Asset have agreed a debt for equity conversion for the Advent Debt pursuant to which the total \$872,288 of the Advent Debt will convert to equity in the Company, subject to Shareholder approval (**Advent Debt Conversion**).
- Under the Advent Debt Conversion, the Company has agreed (subject to Shareholder approval) to issue 198,237,045 Shares at a deemed issue price of \$0.0044 per Share to Advent to settle \$872,288 of the Advent Debt as a full and final settlement in the following manner;

- by issue of 124,708,409 Shares (subject to Shareholder approval) at a deemed issue price of \$0.0044 per Share to clear \$511,972 plus interest and costs of \$36,790 of the Advent Debt; and
- by allowing Advent to participate in a future rights issue to the extent of 73,528,636 Shares (subject to Shareholder approval) at a deemed issue price of \$0.0044 per Share to settle the remaining balance of the Advent Debt being \$323,526.

The Advent Debt Conversion allows the Company to improve its balance sheet position and pay down \$872,288 in outstanding debt which it would otherwise need to pay in cash.

On 22 October 2020 Mr Anthony Huston and Mr Geoffrey Murray joined the board of the Company as non-executive directors and Mr Robert Marusco resigned on the same day continuing as company secretary. The Company had also ratified the continued director appointment of Mr David Breeze on the MEC board acting in his capacity as managing director.

The Company has made a number of ASX announcements concerning a proposed in specie distribution of the shares held in Advent by MEC. On the 27 November 2020, the Company had announced that it was reviewing options regarding the in-specie distribution framework. Following this review the Board has concluded, in consultation with Advent, the following which was announced on the ASX 14 December 2020:

- Advent has informed MEC of its intention to withdraw its prior request for an in-specie distribution subject to settlement of its claim total of \$872,288, made up of a claim which is owed a total of \$242,155 by MEC to Advent Energy Limited and a further sum of \$593,343 plus interest and costs of \$36,790 by MEC to Asset Energy Pty Ltd giving a total of \$872,288 (together known as the Advent Debt) and approval of shareholders of the terms of settlement;

In view of this development regarding the withdrawal of the proposed in-specie distribution MEC is currently in discussions with the ASX and continues to work on a notice of meeting. It had been proposed to combine various resolutions required to move the Company towards a reinstatement of trading on the ASX with the Company's AGM however due to time constraints over the Christmas and New Year period along with additional feedback required from the ASX, this was not possible. The Company will release the notice of meeting once its approved by the ASX.

The Company's shares are currently suspended from the ASX however the Board continues to liaise with the ASX as it works towards the return of its shares to trading status on the ASX. The Company has been in dialogue with the ASX following its two announcements made on 14 December 2020 as referenced above.

On 16 December 2020, the Company made a formal submission to the ASX which included a shareholder meeting seeking approval of various resolutions the aim of which is to have MEC readmitted to trading status. The Company is currently awaiting a reply from the ASX.

We once again thank you for your continued 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

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

MEC Resources Limited

ABN

44 113 900 020

Quarter ended ("current quarter")

31 December 2020

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	-	-
(c) advertising and marketing	-	-
(d) leased assets	-	-
(e) staff costs	-	-
(f) administration and corporate costs*	(126)	(248)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(126)	(248)

*includes operational expense support for Advent Energy Ltd

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	-
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
2.2	Proceeds from disposal of:		
	(a) entities	-	-
	(b) businesses	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) intellectual property	-	-
	(f) other non-current assets	-	-
2.3	Cash flows from loans to other entities	1	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	1	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	-
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	315	438
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(126)	(248)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	1	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	190	190

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	190	438
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	190	438

6. Payments to related parties of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter
\$A'000**

0

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

7. Financing facilities

Note: the term "facility" includes all forms of financing arrangements available to the entity.

Add notes as necessary for an understanding of the sources of finance available to the entity.

7.1 Loan facilities

7.2 Credit standby arrangements

7.3 Other (please specify)

7.4 **Total financing facilities**

Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
-	-
-	-
-	-
-	-

7.5 **Unused financing facilities available at quarter end**

-

7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

8. Estimated cash available for future operating activities

\$A'000

8.1 Net cash from / (used in) operating activities (Item 1.9)

(126)

8.2 Cash and cash equivalents at quarter end (Item 4.6)

190

8.3 Unused finance facilities available at quarter end (Item 7.5)

0

8.4 Total available funding (Item 8.2 + Item 8.3)

190

8.5 **Estimated quarters of funding available (Item 8.4 divided by Item 8.1)**

1.50

8.6 If Item 8.5 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer:

No. The Company is currently working on resolving legal issues with Advent as previously announced to market.

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer:

The Company anticipates that the work outlined above will take about 4 to 6 weeks subject to various approvals by the ASX to complete. Concurrent with making a market announcement in relation to this restructure the Company anticipates it will complete a capital raising within in the form of rights issue.

- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer:

Yes. The Company continues to focus on its short-term business objectives which is the restructure of its subsidiary. As noted, this requires an approval from the shareholders of the Company and in this regard a Notice of General Meeting will be arranged in the near future subject to approval of such notice by the ASX.

The Company also continues to assess its funding opportunities in the form of placements or similar. However, no decisions have been made about further capital raising pending finalisation of the restructure process other than to raise sufficient working capital as required.

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 29 Jan 2021.....

Authorised by:



(By the Board – see note 4)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.