

8 August 2022

UPDATE FOR THE QUARTER ENDING 30 JUNE 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 30 June 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

On 30 March 2022 the PEP 11 Joint Venture announced (via notification from Advent) that they have been given notice by the National Offshore Petroleum Titles Administrator ("**NOPTA**") that NOPTA has refused the Joint Venture Application initially submitted on 24 December 2019 for a secondary work program variation and a 24-month suspension of the Permit Year 4 Work Program Commitment and the corresponding 24-month extension of the Permit Term.

The Joint Venture has statutory legal rights to seek a review of the decision referred to in the notice under the Offshore Petroleum and Greenhouse Gas Storage Act 2006

The PEP11 interests are:

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

On 2 June 2022 Advent's 100% subsidiary Asset Energy Pty Ltd 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. (The application was made in December 2019). Asset Energy Pty Ltd 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 Energy Pty Ltd.

Taranaki Basin - New Zealand

On 5 April 2022 the Company advised that its investee Advent, through its subsidiary, Aotearoa Offshore Ltd NZ ("AOLNZ"), it had the right to acquire a 30% participating interest in Petroleum Exploration Permits ("PEP") 57075, 60092 and 60093 covering an area of 5,180 km² in the Taranaki Basin from OMV New Zealand Limited ("OMV NZ").

The three permits are governed by individual (but identical) Joint Venture Operating Agreements ("JVOA's") and, as such, each intersects in the same fashion with the Farm Out Agreement ("FOA"). The FOA covers all three permits. Mitsui E&P withdrew from the PEP 60092 and PEP 60093 JVOA's in April 2021 with OMV NZ being assigned their 30% participating interest. Following this assignment, the joint venture for PEP 57075, 60092 and 60093 consisted of OMV NZ with a 70% participating interest and SapuraOMV Upstream (NZ) SDN BHD having a 30% participating interest ("Joint Venture").

In mid-2021 OMV NZ commenced a farmout process in respect of its 70% participating interest. Following engagement with OMV NZ, extensive review of their data room and significant due diligence, Advent submitted its bid in November 2021. Early in December OMV NZ formally notified Advent that its bid submission, for a 30% participating interest in the offshore Taranaki Basin petroleum exploration permits 57075, 60092 and 60093, was successful and Advent signed the FOA on 24th December 2021.

The FOA is subject to conditions precedent covering JV, regulatory and ministerial approvals and agreement by the JV to have responsibility for future liabilities, relating to any ongoing/future exploration activities. The current JV has approved the farmout and it is expected that the remaining approvals will be in place by the middle of 2022, resulting in the respective participating interests of the parties in the Joint Venture being OMV NZ 40%, SapuraOMV Upstream (NZ) SDN.BHD 30% and AOLNZ 30%.

In the short term, Advent has agreed with BPH Energy Limited ("BPH"), an ASX listed entity that has a relevant interest in 36% of Advent, that BPH has provided loan funding for Advent of \$3.0 million on commercial terms to make a cash payment to cover expenditure on the licences over 2022 including a loan of \$800,000 to cover agreed work programme and budget expenditures for 2022 under the FOA, which means that sufficient funds for all 2022 commitments, are in place. If the FOA conditions precedent are not met the funds advanced will be repaid.

The funding is unsecured and will be repaid by Advent on the terms of that loan in due course and after Advent has raised sufficient funds. It is intended by Advent that it will undertake a capital raising in due course, which may be a placement to third parties, its existing shareholders, or possibly via a future listing, or a rights issue. It is not intended that BPH will increase its relevant interest in Advent. The loan does not have a conversion right into shares in Advent, and BPH confirms it presently does not intend to increase its shareholding or relevant interest in Advent. While BPH is not intending to increase its shareholding or relevant interest in shares in Advent, if circumstances changed and it wished to increase its shareholding in Advent (whether it be by way of maintaining its current percentage interest in the event Advent undertook a capital raising, increasing its percentage interest, or a debt for equity conversion), BPH will need to consult with ASX regarding the application of Listing Rule 10.1.5.

The FOA is considered to be a positive development for Advent and its major shareholders, MEC & BPH, as it provides a significant new project for Advent which enables it to diversify beyond its current oil and gas portfolio assets. On completion of exploration drilling in 2019/20, the focus for the Joint Venture has been on assessing the results of the Toutouwai-1 discovery whilst further maturing the prospectivity across these permits. There are positive indications that hydrocarbons are present within the Cretaceous and Palaeocene interval with potential also recognised in the shallower Miocene and early Pliocene.

The following are conditions precedent of the FOA: (1) AOLNZ obtains any necessary Governmental Agency approvals; (2) OMV NZ obtains the consent of the Joint Venture to the transaction; (3) the Joint Venture has agreed and signed an amendment to the Joint Venture to enable OMV NZ to require additional security, (on terms reasonably acceptable to the farminee), from the Joint Venture parties in respect of liabilities arising out of future exploration activities; and (4) OMV NZ has obtained the approval of the Minister for Energy required under section 41 of the Crown Minerals Act.

If CP's 1 to 3 are not satisfied within 6 months of signing either party may terminate the FOA and the agreement will cease to be of any effect. The FOA was executed on 24 December 2021, meaning this 6-month period expired on 24 June 2022. No action is required or will be taken from either Advent or OMV NZ given both parties intent to proceed and have AOLNZ on permit Title's pending the Ministry of Business, Innovation and Employment's ongoing process.

Clean Carbon Transaction

On 27 May 2022 the Company announced a proposed transaction with a company involved in hydrogen production technology. Advent together with BPH Energy Ltd ("**BPH**") (ASX:BPH), subject to BPH shareholder approval which was granted at a shareholders meeting on the 21 June 2022, intended to pursue an investment in a hydrogen technology company, Clean Hydrogen Technologies Corporation ("**Clean Carbon**").

At a proof-of-concept scale, Clean Carbon has developed and tested its processing capabilities which have successfully produced hydrogen, with no CO₂ emissions achieving on average a 92% cracking efficiency. Clean Carbon's development activities have shown that, by processing (not burning) methane using their patented catalyst and a modified fluidised bed reactor, producing hydrogen with no CO₂ emissions. This is referred to as turquoise hydrogen. In addition, Clean Carbon also produces a second product, used for battery manufacturing, called conductive carbon.

Clean Carbon uses methane as its current feedstock and in the future plans to consume natural gas. It does not burn the methane, it processes it, using its own patented catalyst and a bespoke designed fluidised bed reactor. The process it uses is called pyrolysis which is not new and has been used by the oil industry for many years. What is new is Clean Carbon Technologies success in the efficiency of its cracking the methane into turquoise hydrogen with non-CO₂ emissions and the quality of the carbon black produced being majority conductive carbon with some carbon nano tubes.

This process requires similar energy needs as Steam Methane Reforming (SMR) and at scale can be produced at a similar price, in their view. Also, it requires no water as part of its process to produce hydrogen.

Importantly, Clean Carbon solution is being built with flexibility to work downstream at heavy transport fuelling hubs currently in use in the USA, mid-stream at steel plants replacing coking coal and upstream where the natural gas is processed into hydrogen, a much higher energy source which can be piped for all

uses including the production of electricity. As such the technology being developed by Clean Carbon Technologies solution requires very little change and impact to existing infrastructures and supply chains unlike other solutions.

Although Clean Carbon consider that electrolysis and other solutions will have their role in the future of hydrogen, they believe the majority of hydrogen will require the advancement of other technologies that can be more ubiquitous, cheaper to produce, use less electricity and operate within existing supply chains.

Advent and BPH (together, the “**Purchaser**”) have entered into a binding term sheet (“**Term Sheet**”) with Clean Carbon, pursuant to which the Purchasers have agreed to subscribe for fully paid shares in Clean Carbon (“**Subscription Shares**”), representing a total of 10% of the total issued share capital of Clean Carbon after the issue of the Subscription Shares (“**Subscription Shares Tranche 1**”).

The material terms of the Term Sheet are as follows:

- a) (**Deposit**): on 26th November 2021 the Purchaser paid a non-refundable deposit of AU\$25,000 (\$20,000 was paid by BPH and \$5,000 by Advent) to the Vendor (which will be offset against any subscription amount).
- b) (**Consideration**): in consideration for the issue of the Subscription Shares Tranche 1:
 - (i) the Purchaser shall pay to the Vendor US\$1,000,000 (less the Deposit and any Outstanding Amounts) (Cash Consideration), specifically:
 - (A) BPH shall pay to the Vendor (or its nominee) US\$800,000; and
 - (B) Advent to pay to the Vendor (or its nominee) US\$200,000,upon which, 8% of the Subscription Shares Tranche 1 shall be issued to BPH and the remaining 2% issued to Advent, with the Cash Consideration to be reduced and adjusted to reflect the amounts outstanding relating to any outstanding loan or convertible notes provided by BPH or Advent to Clean Carbon.
- c) (**First Right of Refusal**): where the Vendor (at its sole and absolute discretion) proposes to seek additional funding for the development and operations of the Technology, on or before 31 December 2022 (“**Additional Funding**”), it must first offer the right to subscribe for additional Subscription Shares representing an additional 10% (“**Subscription Shares Tranche 2**”) to the Purchaser and on the same terms and conditions as the Subscription Shares Tranche 1 (“**Right**”). In the event that the Vendor secures additional investments in excess of \$US3,000,000 (on or before 31 December 2022), the Right is relinquished.

Subject to the above, should the Purchaser exercise the Right, it must do so within 1 month of the Vendors request for the Additional Funding. The consideration payable, being an aggregate of US\$1,000,000, comprising of \$US800,000 by BPH and US\$200,000 by Advent (“**Additional Cash Consideration**”).

In consideration for the Additional Cash Consideration:

- (i) BPH shall acquire an additional 1,510 Clean Carbon Shares, equating to a

total 16% interest in Clean Carbon; and

- (ii) Advent shall hold an additional 377 Clean Carbon Shares, equating to a total 4% interest in Clean Carbon,

following which Clean Carbon's capital structure shall comprise of 16,960 Clean Carbon Shares (based on the assumption that Clean Carbon has not issued any additional Clean Carbon Shares prior to the Right being exercised).

Should Advent elect to not invest its proportion of the Additional Funding, BPH has the right to subscribe for Advent's portion (US\$200,000) of the Subscription Shares Tranche 2

- d) **(Purpose):** the parties acknowledge and agree that the Cash Consideration and Additional Cash Consideration (if applicable), shall be used by the Vendor to design, build, produce and test a reactor that can produce a minimum of 3.2 and as high as 15kgs per hour of hydrogen per hour and to submit at least 2 new patents in an agreed geography, relevant to the production of hydrogen from proprietary technology.
- e) **(Board):** Anthony Huston to be appointed as a director to the Board of the Vendor.
- f) The Term Sheet otherwise contains customary terms.

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. The Company awaits a final decision in relation to this process.

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 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 submission includes information pertaining to the OMV NZ project as noted above and a further new project via its investee company Advent details of which are yet to be released to market.

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 the 12 January 2022. Status of this matter has not changed since the March 22 quarterly report.

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

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")

30 JUNE 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 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	(0)	(26)
(f) administration and corporate costs*	(35)	(172)
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	(35)	(198)

*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 (12 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	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

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	34	115
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	34	115

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	13	130
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(35)	(198)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	34	115
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	12	47

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	12	13
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)	12	13

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.

	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 Total financing facilities	-	-

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)	(35)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	12
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	12
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	(0.34)

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

1. 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 has resolved legal issues with Advent as previously announced to market and has called a shareholder meeting on 13 December 2021 to approve the issue of shares to Advent to partly settle outstanding writs. In addition, the Company has made submissions to the ASX on 12 January 2022 and is currently await a response. The purpose of the submission is for the ASX to consider conditions for reinstatement on the basis of MEC's existing business and recapitalisation of the Company.

2. 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 following the shareholder meeting on 13 December 2021 it will complete an offer document to raise capital in the form of rights issue following feedback from the ASX in relation to its submission on 12 January 2022.

3. 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 support of its investee company Advent.

In addition, the Company also continues to assess its funding opportunities in the form of placements or similar noting that a placement and capital raise offer document is expected to be completed in the near future.

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: 9 August 2022.....

Authorised by: ..By the Board.....
(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.