

5 May 2022

UPDATE FOR THE QUARTER ENDING 31 MARCH 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 March 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.

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 and is obtaining legal advice on such review process.

The PEP11 interests are:

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

OMV New Zealand

Subsequent to quarter end Advent announced that, through its subsidiary, Aotearoa Offshore Ltd NZ ("**AOLNZ**"), it has 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.

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.

Advent’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 lodged an appeal against this decision with the State Administrative Tribunal (“**SAT**”) The matter will now be referred to the WA Supreme Court.

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. Subsequent to the end of the period MEC is awaiting confirmation of oral submissions closing appearance at AAT.

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.

Board Changes

On 4 March 2022 the Company announced that both Mr Douglas Verley and Mr Geoff Murray had resigned as non-executive directors and concurrently Mr Steve James has joined the board as a non-executive director.

2021 AGM

On 21 January 2022 the Company held its AGM noting that all resolutions were approved by Shareholders.

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.

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.

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")

31 MARCH 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (9 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	(11)	(26)
(f) administration and corporate costs*	(34)	(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	(46)	(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 (9 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	42	81
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	42	81

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	16	130
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(46)	(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 (9 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	42	81
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	12	13

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	13	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)	13	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)	(46)
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)	0.26

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 feedback from the ASX it will complete an offer document to raise capital in the form of rights issue or similar.

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: 5 May 2022.....

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.