

31 January 2022

UPDATE FOR THE QUARTER ENDING 31 DECEMBER 2021

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 December 2021.

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 hydrocarbon permits which contain near term production opportunities with pre-existing infrastructure and exploration upside.

Advent's assets include PEP11 (85%) in the offshore Sydney Basin and RL1 (100%) in the onshore Bonaparte Basin in the Northern Territory. On 16 December 2021 MEC announced to market that the Prime Minister of Australia, Scott Morrison, announced that the Federal Government would refuse the joint venture's applications to extend the PEP 11 Permit for gas exploration in the offshore Sydney Basin. Advent received a formal notification of this decision from the National Offshore Petroleum Title Administrator (NOPTA). (Investee Advent has now lodged a submission seeking a review of this decision)

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 two new investments projects during the last quarter via its investee company Advent.

On 7 December 2021 BPH Energy Ltd (ASX:BPH) requested a trading halt which centered around participation of MEC's investee company Advent Energy Ltd ("**Advent**") in a Farm In Agreement. As at the date of this update details of the Farm Out Agreement are yet to be released to market by both BPH and MEC.

Following the end of the quarter on 12 January 2022, the Company had 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 ASX are currently assessing the submission.

Advent Energy has provided the following information to MEC

Investee 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 (to be called Seablue-1) subject to approvals from NOPTA and other regulatory authorities, and financing, and has made an application to NOPTA to change the current Permit conditions. The current permit expiry date is in February 2021. The permit remains in place during this review period. 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.

On 5 February 2021 MEC advised that investee Advent has on behalf of the PEP11 joint venture submitted to the National Offshore Petroleum Titles Administrator (NOPTA) an application to suspend and extend the PEP11 permit offshore NSW. The application has been made under the COVID-19 -Work Bid Exploration Permits announcement released by the Federal Government on 20 April 2020. In that release the Government recognised the that the COVID-19 pandemic was having a significant impact on the offshore petroleum sector and that additional flexibility would be required to assist titleholders to manage the COVID -19 crisis. The Joint Authority confirmed in that release that it regarded the COVID-19 pandemic as a force majeure event. The application for a 24-month suspension of the Permit Year 4 work program commitments, with a corresponding 24-month extension of the permit term and was accepted for processing by NOPTA on 4 Feb 2021. This application was lodged to ensure the company is not in breach of the Year 4 PEP11 work program and expenditure commitments. Advent does not foresee this application interfering with the NOPTA application to extend the permit terms for PEP11.

On 8 March 2021 MEC advised that Advent had appointed a Drilling Manager to facilitate the Preliminary Well Services Agreement with Add Energy relating to the preparation for drilling of the Baleen well to undertake a phased approach to provide technical support in the following areas: -

- Review of current well design documentation
- Develop a suitable well design and cost estimates
- Develop drilling schedule and define a ready to drill tentative window

The scope of work to be conducted included review of existing data and latest geological prognoses for the well, documentation of the subsurface well design envelope and compilation of a preliminary well design, project costs and schedule to complete the Seablue– 1 Exploration well. The report received from Add Energy during the Quarter documents the Basis of Well Design (BOWD) and rationale for design of the well, the well cost compilation and the project schedule. The report addresses the revised drill target on the Baleen prospect initially announced with total depth of 2150 metres on seismic data line B4-18. Advent now intends, subject to approvals and funding, to undertake deeper drilling to also undertake evaluation of the Offshore Sydney Basin for carbon sequestration (storage). This has resulted in a revised specification of a well to target early Permian sandstones for both hydrocarbon and carbon sequestration potential with a revised total depth being set at 3150 metres.

Advent is a strong supporter of plans for Net Zero by 2050 and sees the company playing a direct role in achieving that target, especially in New South Wales. It aims to do this in two ways. First, by finding gas closest to Australia's biggest domestic energy market, gas which can be used to provide reliable back-up for increased uptake of renewable energy in NSW. Second, through its plans to explore for opportunities in offshore NSW for CCS, a key clean energy technology. The significance of the carbon storage objective in addition to gas has been highlighted by the report from The Australian Financial Review (7 April 2021) "Carbon prices tipped to surge" which references dramatic action in Europe's carbon markets with "carbon prices almost doubling in the last four months from Euro 23 (A\$35) a tonne in November 2020 to Euro 41 (A\$62) in March 2021 as more ambitious (carbon) markets aligned with net zero emissions goals to drive prices higher."

On 26 February 2021 MEC advised that its investee Advent had confirmed the engagement with Add Energy for the Xodus Group to undertake a preliminary environmental screening assessment of the proposed Baleen well in preparation for drilling of the Seablue-1 well in offshore licence PEP11. Xodus Group are a leading global energy environmental consultancy with a strong track record in the Australian offshore sector where they are subject matter experts in environmental impact assessment and regulatory approvals. The report was facilitated by the pre-existing environmental information from the prior technical work in the licence including the Environmental Plan which was accepted by the authorities for a 2D Seismic survey which was commissioned by Advent and carried out in 2018. The report has confirmed the program required to undertake an environmental impact

assessment to support the required approvals for the Seablue-1 well. The aims of the preliminary environmental impact assessment were to:

1. Produce a detailed summary of required technical inputs.
2. Produce a detailed summary of required environmental inputs.
3. Outline a proposed approach for stakeholder consultation; and
4. Identify key controls potentially required to manage the activity

Advent subsequently appointed Xodus under a lump sum contract to prepare the Environmental Plan for first submission to NOPSEMA. Xodus's appointment was based on their high quality of engagement, willingness to provide a staged lump sum proposal, and recent experience by their Principal Consultant in working for NOPSEMA.

Advent's 100% owned subsidiary, Asset Energy, has issued a Call for Tender for the provision of subsea wellhead equipment, materials and associated services for the Baleen drilling program. This equipment provides the 'foundation' for the Baleen well and is the first stage of well construction. This is an important step in the preparation and planning for the Seablue-1 well ensures that Asset will be ready to commence drilling after relevant approvals have been received. When the well has reached total depth and been fully evaluated, the well will be plugged and abandoned in line with pre-drill planning as an exploration well, and the well head and associated equipment will be removed from the seabed.

A Call for Tender for the provision of drilling rig services the Seablue-1 exploration well has also been issued. The tender has been issued to multiple drilling contractors who have semi-submersible drilling units in the region. The Seablue-1 well is planned to be drilled in 125m of water approximately 26 km offshore and approximately 30 km SSW of the City of Newcastle. The drilling of the well is subject to regulatory approvals and is expected to take around 40 days to reach total depth. The Seablue-1 well has two objectives: (i) a gas target and (ii) evaluation for Carbon Capture Storage, subject to funding.

PEP 11 permit in good standing as Advent's subsidiary, Asset Energy Pty Ltd, (as the operator) continue preparations to drill the Baleen Gas Prospect including booking a semisubmersible drill rig for the program with the call for tender.

Advent Energy's 100% subsidiary Onshore Energy ("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 Energy Pty Ltd lodged an appeal against this decision with the State Administrative Tribunal (SAT) (The matter will now be referred to the WA Supreme Court) .

Advent has continued with various aspects of the operational development of the PEP11 as noted above including the following key items ASX announcements made by MEC;

- 5 July 2021 -Advent Called for Tender for the provision of Conductor and Surface Casing & Associated Services for Advent's upcoming exploration well had been issued.
- 21 July 2021 – Advent Called for Tender for the provision of Drilling and Project Management Services for their upcoming exploration well had been issued
- 16 August 2021 – A Letter of Intent has been issued by Advent to DQ Holdings Pty Ltd (Dril-Quip) for the provision of subsea wellhead equipment, materials and associated services for the upcoming Seablue-1 exploration well.

- 7 September 2021 – A Letter of Intent had been issued by Advent, through its' subsidiary Asset Energy Pty Ltd, to Aztech Well Construction Services Pty Ltd (Aztech) for the provision of Drilling Project Management services for the upcoming Seablue-1 exploration well.
- 15 September 2021 – A Letter of Intent had been issued by Advent, through its' subsidiary Asset Energy, to Oil States Industries (Asia) Pte Ltd (Oil States) for the provision of Conductor and Surface Casing & associated services for the planned Seablue-1 exploration well.
- 14 October 2021 - A Letter of Intent has been issued by Advent, through its' subsidiary Asset Energy, to Weatherford Australia Pty Ltd (Weatherford) for the provision of Liner Hanger & Expandable Equipment and Services for the planned Seablue-1 exploration well.
- 22 November 2021 - A Letter of Intent has been issued by Advent, through its' subsidiary Asset Energy for the provision of Drilling Fluids & Solids Control Equipment, Materials and Services for the planned Seablue-1 exploration well.
- 25 November 2021 – A Call for Tender has been issued by Advent, through its' subsidiary Asset Energy, for the provision of Directional Drilling, Measurement While Drilling and Logging While Drilling for the Seablue-1 gas exploration well.

As noted above on 16 December 2021 MEC announced to market that the Prime Minister of Australia, Scott Morrison, announced that the Federal Government would refuse the joint venture's applications to extend the PEP 11 Permit for gas exploration in the offshore Sydney Basin. Advent received a formal notification of this decision from the National Offshore Petroleum Title Administrator (NOPATA). (Investee Advent has now lodged a submission seeking a review of this decision)

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.

Following the end of the quarter on the 27 & 28 January 2022 the Company attending its Administrative Appeals Tribunal (**AAT**) hearing. MEC will be submitting final written submissions .A decision on the matter is anticipated by end of April 2022.

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.

Notice of Meeting & Capital Raise

The Company has lodged a Notice of Meeting to deal with the issue of shares to Advent as part settlement of writs as previously announced.^{1 2 3 4 5}

On 13 December 2021 shareholders approved the issue of 124,708,409 fully paid ordinary shares to Advent as part settlement of writs.

The Company is also working of an entitlement offer document which it expects to complete following the issue of the Notice of Meeting in relation to the Advent Writs noted above and feedback from the ASX in relation to its submission of the 12 January 2022.

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.

Following the end of the quarter on 12 January 2022, the Company had 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 2 new projects via its investee company Advent details of which are yet to be released to market.

The ASX is currently considering the Company's submission.

We once again thank you for your continued support and welcome your questions/comments regarding the Company.

¹ ASX release 25 June 2020 – MEC disputes claims by Advent and Asset

² ASX release 27 August 2020 – MEC receives writ of summons

³ ASX release 8 September 2020 – MEC receives writ of summons

⁴ ASX release 2 October 2020 – Advent & Asset Writs - Standstill

⁵ ASX release 11 December 2020 – Advent & Asset Writs - Settlement

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 2021

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	(0)	(15)
(f) administration and corporate costs*	(59)	(138)
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	(59)	(153)

*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	-	-
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	40	40
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	36	130
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(59)	(153)
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 (6 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	40	40
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	17	17

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	17	17
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)	17	17

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)	(59)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	17
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	42
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	0.71

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 completed a shareholder meeting on 13 December 2021 to approve the issue of shares to Advent to partly settle outstanding writs.

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 has made a submission to the ASX on 12 January 2022 for the ASX to consider conditions for reinstatement on the basis of continuation of MEC's existing business and recapitalisation of the Company.

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 and its review thereof following decision by NOPTA and its new projects via 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: 31 January 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.