

26 July 2023

UPDATE FOR THE QUARTER ENDING 30 JUNE 2023

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 2023.

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, David Breeze and Steve James.

Advent Energy has provided the following information to MEC

PEP 11 Joint Venture

Advent’s (MEC 38.27% direct interest) 100% subsidiary Asset Energy Pty Ltd (“**Asset**”) had 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. Asset 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.

The PEP11 interests are:

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

On 5 October 2022, documents relating to the former Prime Minister’s purported decision were provided to the Federal Court of Australia by the Commonwealth Minister for Resources by Asset Energy.

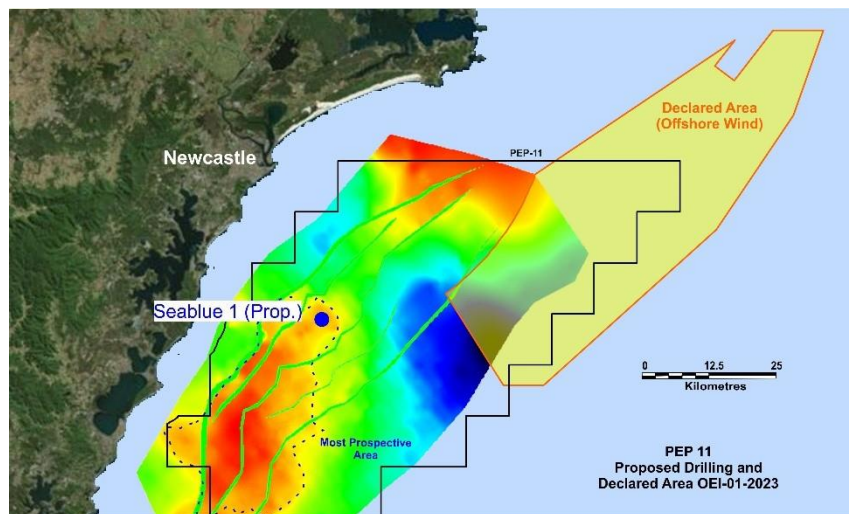
On 14 February 2023 MEC advised that the PEP 11 Joint Venture achieved resolution of the Federal Court Proceedings (WAD106/2022) between Asset Energy Pty Ltd (a wholly owned subsidiary of MEC’s investee, Advent Energy Limited) and the Respondents (being the Commonwealth Minister for Resources et al).

The proceedings involved the decision made on 26 March 2022 by the Commonwealth - New South Wales Offshore Petroleum Joint Authority (Joint Authority) to refuse Asset Energy’s Application (as JV operator) for a variation and suspension of the conditions to which PEP 11 is subject and a related refusal to grant an extension of term (the Decision).

The presiding judge: Justice Jackson agreed with the consent position reached by the parties and quashed the Decision concluding that the Decision of the Joint Authority was affected by apprehended bias. This was because a fair-minded observer would have reasonably observed that the former Prime Minister of Australia the Hon Scott Morrison MP, as a member of the Joint Authority, did not bring a fair mind to determine Asset Energy’s application.


Subsequent to the end of the quarter on 21 July 2023 the Company provided an update in relation to PEP 11 (held via its investee company Advent) whereby Asset Energy Pty Ltd (“**Asset**”), the wholly owned subsidiary of Advent, together with Bounty Oil & Gas NL (“**Bounty**” ASX: BUY) which are the PEP 11 Joint Venture Partners (“**PEP 11 JV**”), reported that on 14 July 2023; the Hon Chris Bowen, Minister for Climate Change and Energy, gazetted/designated an area of the Pacific Ocean area off the Hunter Region of NSW as suitable for offshore wind energy development and that it would be open for industry to develop wind farms. See map below. It will become Australia’s second official offshore wind energy zone.

Having reviewed the PEP 11 seismic data and the drill data from the Seaclem 1 well (See map below); the Declared Wind Area does not materially impact the PEP 11 title or the main PEP 11 target areas.



Map showing PEP-11 Permit, with declared wind energy development area (Declared Area) OEI-01-2023

OEI-01-2023 

Location of Planned Seablue-1 well 

Area of highest prospectivity in PEP-11 

Asset and Bounty welcome this declaration/gazettal as it reinforces the PEP 11 JV’s belief that decarbonising the global energy system will require the use of a mixture of technologies encompassing renewable energy resources, carbon sequestration and natural gas.

There are and will be offshore areas where wind, gas and carbon sequestration activities will overlap, and it is Advents' belief that a holistic approach should and will be taken to ensure that clean energy is produced in a reliable and cost-effective manner.

In April of this year Assets' parent company Advent made a submission to the consultation website of the Department of Climate Change, Energy, the Environment and Water on the proposed Hunter offshore wind development area.

<https://consult.dcceew.gov.au/oei-hunter/have-your-say/view/1906>

Advent has had preliminary discussions to explore synergies with one of the wind technology companies who are planning to tender for and develop part of the Declared Area and has scheduled further consultation.

EXTENSION AND VARIATION APPLICATIONS FOR PEP-11 PERMIT TO ENABLE DRILLING OF SEABLUE 1 GAS WELL AT BALEEN

Asset continues to progress the joint venture's applications for the variation and suspension of work program conditions and related extension of PEP-11. This application follows from the fact that in February 2023 a decision by the previous Commonwealth-NSW Joint Authority to refuse the application was quashed by the Federal Court of Australia. Asset has provided additional updated information to the Commonwealth-NSW Joint Authority and title authority NOPTA in relation to its applications.

While the applications for the variation and suspension of work program conditions and related extension of PEP-11 are being considered, Asset is investigating the availability of a mobile offshore drilling unit to drill the proposed Seablue-1 well on the Baleen prospect which would take approximately thirty-five days to complete. Asset is in communication with drilling contractors and other operators who have recently contracted rigs for work in the Australian offshore beginning in the first half of 2024.

PEP-11 continues in force and the Joint Venture is in compliance with the contractual terms of PEP-11 with respect to such matters as reporting, payment of rents and the various provisions of the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth).

Clean Hydrogen Technologies

On 2 August 2022 MEC announced that Advent had made an investment in hydrogen technology company Clean Hydrogen Technologies Corporation ("**Clean Hydrogen**" or "**Vendor**" or "**Borrower**"), where BPH Energy Ltd ("**BPH**" ASX:BPH) and MEC investee Advent settled for the acquisition of a 10% interest in Clean Hydrogen for US\$1,000,000 ("**Cash Consideration**") (8% BPH and 2 % Advent) under a Loan Conversion Agreement dated 25 July 2022 following the payment of US\$535,996 by BPH and Advent (together the "**Purchasers**"), which was net of loans, accrued interest and deposits owed to the Purchasers by Clean Hydrogen.

The Purchasers had a further right of first refusal ("**ROFR**") to invest in Clean Hydrogen to a maximum of a further US\$1,000,000 for a further 10%, on or before 31 December 2022. The ROFR conditions were subsequently amended such that it exists when (i) the Vendor does not seek a Series A investment in its equity securities comprising a minimum investment of US\$3,000,000 by 30 April 2023, where such investment values the Vendor in excess of US\$20,000,000 (such investment, a "Qualified Financing"), and (ii) the Vendor determines, in its sole and absolute discretion, that it requires at least a further US\$1,000,000

investment for continued development and operations. Subject to the above, should BPH and Advent as the Purchaser exercise the ROFR, it must do so within 1 month of the Vendors request for the additional funding. The consideration payable is an aggregate of US\$1,000,000, comprising of \$US800,000 by BPH and US\$200,000 by Advent ("**Additional Cash Consideration**") subsequent to which BPH shall hold a total 16% interest in Clean Hydrogen and Advent shall hold a total 4% interest in Clean Hydrogen (based on the assumption that Clean Hydrogen has not issued any additional Clean Hydrogen Shares prior to the ROFR being exercised).

Clean Hydrogen has not sought a Series A Investment in its equity securities comprising a minimum investment of US\$3,000,000, and made a request for additional funding from BPH. Advent has lent Clean Hydrogen US\$500,000 in accordance with unsecured loan agreements on normal commercial terms. The loans have been funded by monies loaned by BPH to Advent. The loan agreements provide for a further unsecured loan of US\$500,000 to be made to the Borrower, of which US\$250,000 is subject always to the Lender's absolute discretion. Clean Hydrogen will allocate and issue up to 1,000 Options to Advent, with an exercise price of USD\$3,000 each, and exercisable immediately, with the option for conversion into shares in Clean Hydrogen expiring ten years from the date of issue (Clean Hydrogen Options). An advance of every US\$250,000 of the US\$1,000,000 loan facility will equate to 250 Clean Hydrogen Options allocated to Advent or, from time to time, BPH. The Purchasers and Clean Hydrogen have agreed to enter into a separate loan conversion agreement which will enable the conversion of the loan amount into the Subscription Shares Tranche 2, representing the Purchasers a further 10% interest in Clean Hydrogen.

The parties acknowledge and agree that the Cash Consideration and Additional Cash Consideration, shall be used by Clean Hydrogen to design, build, produce and test a reactor that can produce a minimum of 3.2kgs and as high as 15kgs 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.

Clean Hydrogen and Onshore Energy Pty Ltd ("**Onshore**") (a 100% owned subsidiary of Advent which MEC has a 38.27% direct interest) have entered into a hydrocarbon process agreement ("**Agreement**"). Onshore has rights to gas fields including the Weaber gas field at the Onshore Bonaparte Basin in the Northern Territory, Australia, Retention Lease RL1 ("**Rights**").

Clean Hydrogen has capabilities at processing hydrocarbons from natural gas and producing two products, hydrogen (sometimes referred to as turquoise hydrogen) and carbon black and carbon nanotube products where such products are produced with no CO₂ emissions in the core process. Carbon black is composed of fine particles of carbon produced by pyrolysis of natural gas at high temperatures which in pure form is a fine black powder. It is widely used in various applications for tyres, black colouring pigment of newspaper inks, resin colouring, paints and toners, antistatic films, fibres, and floppy disks and as an electric conductive agent of high-technology materials.

By the Agreement, Onshore and Clean Hydrogen propose to develop plans whereby Clean Hydrogen processes the hydrocarbons from Onshore's Rights and produces hydrogen and carbon black products ("**Clean Hydrogen Products**").

Clean Hydrogen is developing its "Commercial System" where it will satisfy scale and commercial objectives resulting in the development of income from sale of Clean Hydrogen Products. Clean Hydrogen's Commercial System means an end-to-end system which consumes and processes hydrocarbons, using Clean Hydrogen's own thermocatalytic reactor process and Clean Hydrogen's catalysts to produce hydrogen at commercial scale, enabling the sale of the Clean Hydrogen Products.

Under the material terms of the Agreement, Onshore will review the Commercial System once ready, conditional on the following.

- i. Clean Hydrogen will keep Onshore informed of progress and timing for completion of the Commercial System which is planned to be completed in 2023 in India.
- ii. Clean Hydrogen will share details on design and capabilities to assist Onshore in understanding how its systems will integrate with Onshore's supply of hydrocarbons.
- iii. The parties will work together to develop a plan to include timelines and needs for production of Clean Hydrogen Products from Onshore's hydrocarbons.
- iv. Once Onshore has a clear date for hydrocarbon production, both parties will endeavour to finalise the planning to produce Clean Hydrogen Products.
- v. When Clean Hydrogen and Onshore have agreed to a time for the production of Clean Hydrogen Products, Clean Hydrogen will be responsible for due diligence relating to the compliance with the local regulatory requirements for the operation of the systems to produce the Clean Hydrogen Products.

The Agreement is non-binding and binding material contractual terms have yet to be agreed.

Clean Hydrogen will make itself available to answer all technical and business model queries as required and provide a dedicated point of contact to manage all Onshore queries. Onshore will use best endeavours to develop the plan with Clean Hydrogen. Onshore will provide Clean Hydrogen with detail on its Rights and the timing to assist with planning.

Onshore and Clean Hydrogen shall define and agree as part of the plan on the markets for the sale of the Clean Hydrogen Products.

Onshore accepts no liability for the design and operation of the systems to produce the Clean Hydrogen Products. The Agreement does not preclude Onshore's right to look at other plans for use of their hydrocarbons associated with their Rights.

Corporate Update

PDF Status - Reinstated

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**").

On 16 March 2023 MEC announced that following its appeal to the AAT a decision has been made to set aside the revocation of MEC's Pooled Development Fund registration. Further, the AAT in substitution decided not to revoke the Applicant's PDF registration under S 47 of the of Pooled Development Funds Act 1992 (Cth) ("**PDF Act**").

The AAT informed the Company that, following an application made by MEC under S56 of the PDF Act for a review of a decision made by the Innovation Investment Committee of Innovation and Science Australia (the “**Committee**”), that the decision to revoke MEC’s PDF registration was not correct.

On 4 May 2023 the Company further advised that MEC’s PDF registration has:

- Been reinstated to the Australian Government Business website under the formal list of registered Pooled Development Funds - List of Pooled Development Funds | business.gov.au and
- Gazetted by the Commonwealth of Australia on 20 April 2023 – see details below.

The Company’s PDF registration brings a number of benefits to both the Company and its shareholders. Some of the key elements are:

- PDFs raise capital & make equity investments complying with a structure established under the Australian Government’s PDF Act, enacted in 1992.
- MEC’s PDF status means it is taxed at 15% on its income and capital gains received from its investments.
- MEC shareholders are exempt from capital gains when selling their MEC shares.
- Australian residents receiving franked and unfranked dividends from their MEC shares are also exempt from tax.

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 further formal submission to the ASX following its original submission on 16 December 2020 which included a shareholder meeting seeking approval of various resolutions the aim of which is to have MEC readmitted to trading status.

On 13 September 2022 the Company made a further follow-up submission.

Following the Company’s recent AGM it is seeking to further engage with the ASX in relation to its previous submission.

Entitlement Offer

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 13 September 2022. Status of this matter has not changed since the March 23 quarterly report.

Capital Raise – Placement

On 26 April 2023 MEC raised a further A\$179,263 before costs by way of placement of Shares to professional and sophisticated investors pursuant to section 708 of the Corporations Act 2001 (Cth) at an issue price of \$0.0044 per Share under the Company’s LR7.1 placement capacity.

This share issue was accompanied by one (1) free attaching option for each Share subscribed with an exercise price of \$0.0055 and expiry of 24 months from the issue date subject to Shareholder approval which was granted at the Company's AGM on 4 July 2023. See ASX announcement on 22 February 2023 for full Option Terms & Conditions.

Placement Details

- Placement completed at an issue price of \$0.0044 per Share
- Total amount raised of A\$179,263 before costs
- Number of fully paid ordinary shares issued – 40,741,652
- Number of free attaching options issued – 40,741,652
- The Placement Shares are subject to a holding lock, pending release of a prospectus by the Company
- Placement partly completed by Sixty Two Capital Pty Ltd who received a 6% capital raising fee (plus GST)

Funds raised from the Placement will be utilised by the Company to facilitate its compliance requirements, work associated with moving the Company towards reinstatement to trading on the ASX and general short-term working capital requirements.

Notice of Annual General Meeting

On 6 June 2023 MEC issued a notice of meeting in relation to its 2022 Annual General Meeting which was held on 4 July 2023.

As announced on 5 July 2023 Result of Meeting – Resolutions 1 to 12 and 14 to 17 were all passed with Resolution 13 being adjourned to a further meeting on 2 August 2023.

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 JUN 2023

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	-	-
(f) administration and corporate costs*	(60.2)	(167.0)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1.9	3
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	(58.3)	(164)
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)	(4.6)	3
2.6	Net cash from / (used in) investing activities	(4.6)	3

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	51.8	333.7
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)	-	39.9
3.10	Net cash from / (used in) financing activities	51.8	373.6

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	234.6	11.4
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(58.3)	(164.3)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4.6)	2.6

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)	51.8	373.6
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	223.5	223.3

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	223.5	234.6
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)	223.5	234.6

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

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

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)	(58.3)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	223.5
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	223.5
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	3.83

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:

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:

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:

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: 26 July 2023.....

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.