

30 April 2024

UPDATE FOR THE QUARTER ENDING 31 MARCH 2024

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 2024.

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 transition from hydrocarbons such as coal and oil to hydrogen, 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 Steven James.

Advent Energy has provided the following information to MEC

PEP 11 Joint Venture

Advent Energy Limited’s (MEC 38.27% direct interest) 100% subsidiary Asset Energy Pty Ltd is a participant in the PEP11 Joint Venture with partner Bounty Oil and Gas NL (ASX:BUY).

The PEP11 interests are:

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

Asset Energy 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 the National Offshore Petroleum Titles Administrator (“NOPTA”) in relation to its applications.

On 9 October 2023 NOPTA updated their website whereby the NEATS Public Portal Application Tracking has been updated to show Asset Energy's applications' status is now 'Under Assessment'. The Company understands that the next step in the application process is for the Joint Authority to make its decision on Asset Energy's applications.

While the applications for the variation and suspension of work program conditions and related extension of PEP-11 are being considered by NOPTA, 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.

On 6 February 2024 the New South Wales (NSW) government issued a media release saying they had given notice to *"introduce legislation that will prohibit seabed petroleum and mineral exploration and recovery in NSW coastal waters. The Bill will legislatively implement the Offshore Exploration and Mining Policy that was published in February 2022. The legislation aims to give our communities certainty and reaffirms the NSW Government's long held position of not supporting offshore mineral, coal or petroleum exploration or mining for commercial purposes in or adjacent to NSW coastal waters"*.

On 19 March 2024 MEC advised ASX that:

- 1) The State of NSW and the NSW Government only have jurisdiction and the power to control exploration and extraction in coastal waters up to 3 nautical miles (4.83 km) offshore from the NSW coast. PEP 11 is beyond that 3 nautical mile limit and all such matters touching PEP 11 are under the jurisdiction of the Commonwealth of Australia (ie. the Australian Government). Gas exploration operations including safety and environment are controlled by NOPSEMA, a Commonwealth of Australia authority.
- 2) The registered holders of PEP 11, including Bounty Oil & Gas NL (ASX:BUY), and the operator, Advent Energy (through Asset Energy Pty Ltd) are aware of the legislation and should it be enacted the titleholders will consider, if necessary, challenging the validity of the Bill under Sec 109 of the Commonwealth Constitution which provides: "When a law of a State is inconsistent with a law of the Commonwealth, the latter shall prevail, and the former shall, to the extent of the inconsistency, be invalid".
- 3) The holders of PEP 11 intend to pursue gas exploration by drilling around 26 km offshore, well beyond the limit of NSW coastal waters. No "mining" or pipeline construction is proposed.
- 4) Advent and MEC fully support protecting the coastal and offshore marine environment and note that in respect of PEP 11 any activity undertaken in the permit area would require specific approval of the independent regulator NOPSEMA.

The media release set out below was made by the Resources Minister, the Honourable Madeline King dated 23 April 2024:

“The Albanese Government is one that respects proper process. We make decisions in a way that is orderly and appropriate.

The Minister for Resources and Minister for Northern Australia, the Hon Madeleine King MP, has recused herself from future decisions on Petroleum Exploration Permit 11 (PEP-11).

The Minister for Industry and Science, the Honourable Ed Husic MP, will take future decisions relating to PEP-11.

Minister Husic was appointed to administer the Department of Industry, Science and Resources upon being sworn-in as a Minister on 1 June 2022 and has the legal authority to take future decisions on PEP-11.

The Australian Government has been consistent in its position that it will not provide a running commentary on PEP-11 and this remains the case.”

We note Minister King’s decision to recuse herself as the decision maker with respect to the PEP-11 permit under the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Cth). We note the Honourable Minister Husic as the Minister for Industry and Science will be making any future decision on modification and related extension of the PEP-11 permit.

The Joint Authority decision is a routine administrative decision. Any future authorisation related to drilling will require environmental approvals. Any issues around community or environmental impacts should be transparently managed by the designated independent expert regulator.

Offshore gas exploration in Australia has been undertaken safely and environmentally responsibly for more than 50 years.

The fact remains that NSW and Australia more broadly face a gas supply shortfall within the next four years, and gas will play a vital role in the clean energy transition.

PEP-11 continues in force and the Joint Venture is in compliance with the contractual terms of PEP11 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

MEC investee Advent holds a 3.9% interest in Clean Hydrogen Technologies Corp (“CHT”).

On 27 February 2024 MEC announced that Clean Hydrogen had moved from proof of concept to production.

CTH has developed and tested its processing capabilities which have successfully produced hydrogen, with no CO₂ emissions, achieving on average above 90% cracking efficiency. A detailed summary about CTH was provided in the 31 December 2023 quarterly report.

Since the December quarter the Company advised on 27 February 2024 that CHT had progressed from proof of concept to production.

Clean Hydrogen cracks hydrocarbons from natural gas using a process called thermo-catalytic pyrolysis which combines heat, a catalyst and has no oxygen. Clean Hydrogen's feedstock is natural gases hydro-carbons. Importantly there are no CO₂ emissions from the core process since the carbon becomes a solid carbon composite product, thus rendering natural gas a clean (no CO₂ emissions) source of two products, turquoise hydrogen and solid carbon composite.

Turquoise Hydrogen is the industry term used for hydrogen sourced from natural gases hydrocarbons using thermo-catalytic pyrolysis. Since there are no CO₂ emissions the carbon becomes solid in the form of a fine black dust type material which in Clean Hydrogen's case is a carbon composite made from CNTs (Carbon Nanotubes) and Alumina (ceramics). Carbon Nanotubes have unusual mechanical properties to reinforce their Alumina composite, acting as a toughening agent. CNTs have a tensile strength greater than steel, conductivity greater than copper and thermal dissipation greater than diamonds. They also resist corrosion and fatigue (ref: <https://www.assemblymag.com/articles/93180-can-carbon-nanotubes-replace-copper>).

The next steps for Clean Hydrogen are scaling their carbon composite and hydrogen production.

Corporate Update

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.

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. The status of this matter has not changed since the December 2023 quarterly report.

Placement

Subsequent to the end of the 31 March 2024 quarter, on 5 April 2024, the Company announced it had raised A\$157,300 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 ("**Placement Shares**").

This share issue is accompanied by one (1) free option for each Share subscribed with an exercise price of \$0.0055 and expiry 24 months from the issue date ("**Placement Options**").

Funds raised from this capital raising 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.

Placement Details

- Placement completed at an issue price of \$0.0044 per Share.
- Total amount raised of A\$157,300 before costs.
- Placement partly completed by LeMessurier Securities Pty Ltd ("**LeMessurier**") who will receive a 6% capital raising fee by way of issue of 606,818 shares and 606,818 options under the same terms and conditions.
- The number of fully paid ordinary shares issued including shares issued for services by LeMessurier is 36,356,818 and 36,356,818 options.
- The number of fully paid ordinary shares on issue following the placement is 1,045,021,916.
- 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 will receive a 6% capital raising fee (plus GST)

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 managing director.

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 MAR 2024

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) directors/staff costs	-	17
(f) administration and corporate costs*	(28)	(131)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	4
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	(26)	(110)
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	29
2.6	Net cash from / (used in) investing activities	2	29

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	157	157
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	-	-
3.4	Transaction costs related to issues of equity securities or convertible debt securities	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	157	157

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	114	224
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(26)	(110)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	2	29

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)	157	157
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	242	114

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	242	114
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)	242	114

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)	(26)
8.2 Cash and cash equivalents at quarter end (Item 4.6)	242
8.3 Unused finance facilities available at quarter end (Item 7.5)	0
8.4 Total available funding (Item 8.2 + Item 8.3)	242
8.5 Estimated quarters of funding available (Item 8.4 divided by Item 8.1)	9.31

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: 30 April 2024.....

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.