



31 January 2021

Companies Announcements Office
ASX Limited
10th Floor, 20 Bridge Street
SYDNEY NSW 2000

31 DECEMBER 2020 QUARTER OPERATIONS REPORT

Significant activities in the Company's and its investees' activities during the December 2020 quarter were as follows:

Equity

Subsequent to shareholder approval received at the Company's General Meeting held on 11 December 2020:

- 14,993,750 free attaching options to a July 2020 share placement with an exercise price of \$0.05 per share and an expiry date of 29 July 2022 were issued. The lead manager to the share placement was also issued 2,000,000 listed options on the same terms.
- 13,502,467 shortfall shares (representing \$202,537) together with 6,751,235 free attaching options under the August 2020 2 for 5 non-renounceable rights issue at \$0.015 per share together with one free attaching option with an exercise price of \$0.05 per share and an expiry date of 29 July 2022 for every two shares subscribed for, were issued in extinguishment of amounts owed to directors. A further 2,599,880 shares (representing \$38,398) in shortfall shares together with 1,299,764 free attaching options on the same terms as above were also issued to a former director in extinguishment of amounts owed to him.
- 16,133,333 shares were issued to sophisticated investors at \$0.015 per share for \$242,000 cash proceeds together with 8,066,667 free attaching options on the same terms as above.

In addition, 200,000 share options with an exercise price of \$0.20 per share expired on 30 November 2020.

Advent Energy

Investee Advent Energy Ltd (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 subject to approvals from NOPTA and other regulatory authorities, and financing, and has now made application to NOPTA to change the current Permit conditions. The current permit expiry date is in February 2021. 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.

Advent is proposing with its Joint Venture partner Bounty to use the drilling program at Baleen to investigate the potential for CCS - Carbon Capture and Storage (geo-sequestration of CO₂ emissions) in PEP11. CCS can capture CO₂ fossil fuel emissions. Both the International Energy agency and the Intergovernmental Panel on Climate change believe that CCS can play an important role in helping to meet global emission reduction targets. CCS is part of a suite of solutions with the potential to mitigate greenhouse gas emissions and help address climate change. The Sydney Basin is a major contributor to Australia's greenhouse gas emissions and contributes up to 34% of the total national emissions. Independent Government published research has indicated at least 2 TCF (Trillion Cubic Ft) of CO₂ storage may be feasible in the offshore Sydney Basin.

Advent announced the appointment of Professor Peter Cook as an advisor on geosequestration for its project in the Offshore Sydney Basin. Professor Peter Cook is an eminent Australian and international earth scientist. He is a leader in the development and application of carbon capture and storage (CCS) technologies and has published more than 30 papers and articles on greenhouse gas technologies, including the books "Clean Energy Climate and Carbon" and "Geologically Storing Carbon", and was an IPCC Co-ordinating Lead Author. He first drew attention to Australia's CCS opportunity more than 20 years ago, then going on to establish national CCS programs and research facilities through the Petroleum CRC and the Cooperative Research Centre for Greenhouse Gas Technologies (CO₂CRC). In 2011, the University of Melbourne established the Peter Cook Centre for CCS Research.

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 has lodged an appeal against this decision with the State Administrative Tribunal (SAT).

Advent raised \$45,000 cash in the quarter by the issue of 900,000 shares at 5 cents per share. In addition, on 30 December 2020 Advent lodged an Offer Information Statement with ASIC for a non-renounceable entitlement issue of two (2) Shares for every three (3) shares held at an issue price of \$0.05 (5 cents) per Share to raise up to \$6,525,108. It is proposed that the closing date of the Offer is 5:00pm (WST) on 26 February 2021. The Directors reserve the right to extend this date without notice. The Offer is partially underwritten by Grandbridge Securities Pty Ltd (ABN 84 087 432 353) (AFSL 517246) up to the amount of \$1,000,000. Grandbridge Securities Pty Ltd is also Lead Manager to the Offer.

Legal actions

On 12 August 2019 MEC Resources Limited (MEC) (ASX:MMR) announced that it had reached a settlement of the various legal disputes between MEC and BPH, Grandbridge Limited, Trandcorp Pty Ltd and David Breeze. The terms of settlement were outlined in a Deed of Settlement, to which MEC's 48.2% owned subsidiary Advent Energy Limited (Advent) is also a party. MEC agreed to the settlement in the interests of resolving continual disputes which have impeded the progress

of both MEC and Advent since November 2016. The Deed of Settlement included clauses whereby MEC agreed to support an in-specie distribution of its shareholding in Advent to MEC shareholders (subject to shareholder approval) if requested by Advent. Advent made a request to MEC on 5 August 2019 to complete an in-specie distribution.

The Directors of MEC announced during the quarter that it had entered into a settlement agreement with both Advent and its subsidiary, Asset Energy Pty Ltd (Asset) in relation to writs and demands issued by both Advent and Asset. On 2 October 2020 MEC had announced entering into a Standstill Agreement the effect of which was to allow the parties time to negotiate a resolution of the pending claims. Following legal and audit consultation by MEC directors Douglas Verley and Andrew Jones, and further negotiations with Advent and Asset, a resolution and settlement has been reached.

Key points to note are as follows;

- MEC holds a 48.2% interest in its investee company Advent, which is owed a total of \$242,155 by MEC. Further, Advent owns 100% of Asset which is owed a total \$593,343 plus interest and costs of \$36,790 by MEC giving a total of \$872,288 arising for outstanding loans owing (together known as the Advent Debt). Advent has informed MEC of its intention to withdraw its prior request for an in-specie distribution subject to settlement of its claim total of \$872,288.
- Following advice from its legal advisor and the Company auditors MEC has acknowledged the Advent Debt.
- MEC, Advent and Asset have agreed a debt for equity conversion for the Advent Debt pursuant to which the total \$872,288 of the Advent Debt will convert to equity in the Company, subject to Shareholder approval (Advent Debt Conversion).
- Under the Advent Debt Conversion, MEC has agreed (subject to Shareholder approval) to issue 198,237,045 Shares at a deemed issue price of \$0.0044 per Share to Advent to settle \$872,288 of the Advent Debt as a full and final settlement in the following manner (i) by issue of 124,708,409 Shares (subject to Shareholder approval) at a deemed issue price of \$0.0044 per Share to clear \$511,972 plus interest and costs of \$36,790 of the Advent Debt; and (ii) by allowing Advent to participate in a future rights issue to the extent of 73,528,636 Shares at a deemed issue price of \$0.0044 per Share to settle the remaining balance of the Advent Debt being \$323,526.
- The Advent Debt Conversion allows MEC to improve its balance sheet position and pay down \$872,288 in outstanding debt which it would otherwise need to pay in cash.

MEC is currently in discussions with the ASX and concurrently working on a Notice of Meeting which is intended to be combined with MEC's 2020 AGM. MEC will release the Notice of Meeting once it is approved by the ASX.

Cortical Dynamics Limited

Cortical has entered into a nonexclusive Licence and Co-operation Agreement with Philips Healthcare North America Corp ("Philips"), which will enable Cortical to interface its Brain

Anaesthesia Response Monitor (“BARM”) into the Philips IntelliVue and Patient Information Center (PIC iX) Monitoring Systems using the IntelliBridge integration product line

Cortical has begun the FDA 510K filing process for BARM in the USA assisted by its strategic investor Intuitive X (“IX”). The Food and Drug Administration (“FDA”) is the federal agency of the United States Department of Health and Human Services which regulates the sale of medical device products (including diagnostic tests) in the U.S. and monitors the safety of all regulated medical products. FDA approval is a necessary precursor for sales of BARM to commence in the USA. Cortical already has achieved both CE (Europe) and TGA (Australian) registration.

The patent application for “Apparatus and process for measuring brain activity “has been given International (PCT) Patent Application No. PCT/AU2020/050535. Cortical has developed an extensive patent portfolio encapsulating the BARM, providing critical patent protection across a number of key brain monitoring markets. Cortical’s competitive advantage is underpinned by a strong patent position covered by five patent families and 22 granted patents. Currently, Cortical has patents awarded in Australia, New Zealand, Japan, the People’s Republic of China, Europe and the United States.

The BARM next generation medical brain monitor was exhibited at the 2020 Spring Development seminar and Council of the Korean Association of Anaesthesia. Cortical’s Korean distributor, Globaluck, presented the BARM at this conference at the BEXCO Convention Hall in Busan South Korea on July 24th to 25th. During the quarter Cortical secured approval by the South Korean regulator, The Korean Ministry for Food and Drug Safety (KMFDS), to sell its BARM in the South Korean Market. The BARM and Cortical Dynamics met the stringent KMFDS requirements both for the BARM technology and for medical device manufacturers, including the requirements related to the Quality Management System (QMS). In particular, the QMS established by the manufacturer should comply with the national requirements based on the international standard ISO 13485. South Korea’s medical device market ranks as the ninth largest in the world at an estimated US\$6.8 billion 2019, showing continuous grow with 8.1% annual increase. Cortical will now work with its South Korean distributor, Global Luck, to introduce BARM to the Korean market. This approval by KMFDS complements the existing CE and TGA approvals already in place.

Cortical raised \$212,500 cash in the quarter by the issue of 1,700,000 shares at 12.5 cents per share.

Item 1 and 2 details of payments to / receipts from related parties (Appendix 4C)

Line 6.1: \$36,000 from the payment of management fees to Grandbridge Limited and \$19,000 paid to a related party of a director as remuneration

Line 6.2: Loan of \$5,000 to MDS Limited.

Authorised by



David Breeze
Chairman