



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 31 MARCH 2023

- Major Drilling Group contracted for the three well 2023 Pilot Well Program at the Gurvantes XXXV CSG Project in Mongolia
- Drilling commenced with the first well (Lucky Fox -1) completed intersecting over 60 metres of gassy coal in the production interval (upper coal seam)
- Cooperation and Offtake Agreement signed with MAK Group demonstrating progress with early commercialisation opportunities
- Professor John Warburton appointed to the Board as non-executive Director
- Balance sheet strengthened with \$5.7M capital raise (before costs) to fund and accelerate the Gurvantes XXXV Exploration Program

The quarter ended 31 March 2023 (the “Quarter”) has been another significant period of activity for TMK Energy Limited (ASX:TMK) (“**TMK**” or the “**Company**”) with the commencement of the much anticipated Pilot Well Program in the Nariin Sukhait area within the Gurvantes XXXV Coal Seam Gas (“**CSG**”) Project (TMK 67%, Talon Energy 33%) in the South Gobi Basin in Mongolia.

Executive Summary

During the Quarter, the Company executed a contract with Major Drilling Group (a large international Canadian based drilling contractor) for a three well Pilot Well Program targeting the thick, gassy upper coal seam intersected in the Snow Leopard – 02 exploration well.

Following the mobilisation to site of personnel and equipment, drilling operations began on 12 April 2023 with the first well, Lucky Fox – 1 (LF-01) completed on 26 April 2023, intersecting over 60 metres of gassy coal in the production interval (being the upper coal seam). The first well has been drilled safely, on time and on budget with the drilling rig now being moved approximately 200 metres to the Lucky Fox – 2 (LF-02) well pad.



Figure 1 – Semi-permanent 2023 site operations camp



During the Quarter, the Company signed a Milestone Cooperation Agreement with Mongol Alt LLC (“**MAK**”) expanding the level of cooperation between TMK and one of Mongolia’s largest and most successful group of private companies. MAK is a large energy user in the Nariin Sukhait region and has a high demand for water, a valuable resource in the South Gobi Desert. The agreement provides the Gurvantes XXXV Project with the opportunity to supply both water and electricity to MAK from the Pilot Well operations during (and beyond) the production test period.

On 7 March 2023, Professor John Warburton was appointed as a non-executive director to the TMK Board. John has extensive ASX listed company experience together with outstanding technical credentials gained through his time working with internationally recognised companies, including Super-Majors, in various roles and locations throughout the world.

Subsequent to the end of the Quarter, the Company announced on 20 April 2023 that it had received commitments to raise approximately \$5.7 million dollars (before costs) through the issue of 393,079,300 shares to sophisticated and institutional investors at \$0.0145 per share. The Placement was supported by new and existing investors, including members of the Board. Placement participants will be issued a free attaching option of one-for-two basis, at a strike price of \$0.025 expiring 30 April 2026. Proceeds from the placement will primarily fund the expansion and acceleration of the exploration drilling program at the Gurvantes XXXV Coal Seam Gas Project in Mongolia.

Pilot Well Program

During the Reporting Period, the Company completed the planning and design process for the Pilot Well Program together with the procurement and delivery into Mongolia of all long lead items. The Pilot Well Program includes three production wells, metering, production and testing facilities, as well as ancillary equipment required to produce gas to the surface.

On 15th February 2023, the Company executed a drilling contract with the Mongolian operating subsidiary of Major Drilling Group - a large international Canadian-based drilling company - for three wells which makes up the Pilot Well Program.

Following receipt of all regulatory approvals, the site preparation and construction of a semi-permanent camp to house the drilling and operations staff was completed with personnel and equipment mobilised to site shortly thereafter.



Figure 2 – Pilot Well Program drill pads under construction

Drilling commenced on 12 April 2023 with the first pilot production well completed on 26 April 2023. Each of the three wells is expected to take approximately two weeks to drill. LF-01 intersected over 60 metres of gassy coal in the production interval (being the upper coal seam) and was drilled safely, on time and on budget with the drilling rig now being moved approximately 200 metres to the LF-02 well pad.

The full Pilot Well Program includes the drilling of three individual production wells spaced approximately 200m apart and centred on the Snow Leopard - 2 exploration well location. Once drilling is completed, downhole pumps will be installed, and surface facilities will be connected to the wells. The pilot well pumps will then be commissioned, and the dewatering process will commence in a controlled manner with first gas breakthrough expected within one or two months from being placed on production. Surface facilities build-out and commissioning of the wells is expected to be completed in late Q2 or early Q3 2023.



Figure 3 – Major Drilling Rig on location for the Lucky Fox-1 pilot production well

Based on independent modelling completed by SLB (previously known as Schlumberger), the Company expects to see early gas breakthrough and then the gas flow rate to build over the six-month production test. The gas flow rates achieved from the production test will determine if it is commercially viable for the gas to be used for power generation that can be sold to the coal mining operations pursuant to the recently signed Cooperation Agreement with the MAK group of companies.

Successful gas production and power generation will demonstrate proof of concept and will also be a more environmentally efficient use of the gas produced as opposed to flaring the gas to atmosphere. Planning for the installation of gas-powered electricity generation units is underway in anticipation of projected gas flows.

The Pilot Well Program is being primarily funded by Talon Energy, TMK's partner in the Gurvantes XXXV Project. Talon elected to enter Stage 2 of the Farmout Agreement in early December 2022 and is paying the first US\$3.15 million towards what is budgeted to be approximately US\$3.5 million, with TMK and Talon Energy paying their proportionate share of further costs over and above US\$3.15 million.

Early Commercialisation

In addition to the strategy to utilise any early gas production from the Pilot Well Program for power generation in the immediately adjacent mining operations, the Company has commenced feasibility studies of expanding its power generation capability to supply the forecast local power demand of ~70MW from other nearby mining

operations and communities thereby potentially displacing the current unreliable and higher cost alternative electricity supply.

Further studies are underway to look at other domestic opportunities that exist in CNG (Compressed Natural Gas), mini scalable LNG (Liquified Natural Gas) plants and large-scale power generation in the South Gobi province. The South Gobi province hosts several very large energy users and is connected with the central power grid. Studies are currently being completed with cooperation from PetroChina subsidiary EPC service providers.

Corporate

Board Changes

On 7th March 2023, Professor John Warburton was appointed to the Board of the Company as a non-executive Director. Prof. Warburton (John) brings extensive ASX-listed company experience together with outstanding technical credentials gained through his time working with internationally recognised companies, including Super-Majors, in various roles and locations throughout the world.

John is currently serving as a non-executive Director of Empire Energy Group Limited and is a Visiting Professor in School of Earth and Environment at Leeds University in the United Kingdom. He previously served as a non-executive director of Senex Energy Limited in the six years before its takeover by POSCO/Hancock Prospecting and was also Chief of Geoscience & Exploration Excellence at Oil Search Limited from 2015 to 2018.

On 31 March 2023, Mr Stuart Baker, one of the founding directors of Telmen Energy Limited which was acquired by TMK in February 2022, resigned from the Board due to demands from his other business interests. Stuart joined the Telmen Energy Limited Board in August of 2021 and was appointed to the TMK board on 15 February 2022 following the acquisition of Telmen by TMK. Stuart provided valuable input into the Company's advancement during his tenure and the Company thanks Stuart for the time and effort he devoted to the Company.

Changes to the Capital Structure

On 20th April 2023, TMK announced it had received binding commitments to raise \$5.7 million (before costs) via a placement to sophisticated and institutional investors at \$0.0145 per share. The Placement was strongly supported by new and existing investors, including members of the Board, who subject to Shareholder approval at the forthcoming General Meeting, have applied for 5,500,000 shares raising \$79,750. Placement participants will be issued a free attaching option of one-for-two basis, at a strike price of \$0.025 expiring 30 April 2026. Proceeds from the placement will fund the expansion and acceleration of the exploration drilling program at the Gurvantes XXXV Coal Seam Gas Project in Mongolia.

Bell Potter Securities Limited and PAC Partners Securities Pty Ltd acted as Joint Lead Managers to the Placement pursuant to an agreement dated 23 February 2023. Under the Lead Manager Mandate, the Company agreed to pay the Joint Lead Managers a 6% fee for the funds raised under the Placement. The Company also agreed to issue Joint Lead Managers options on a one-for-six basis, on the same terms as the options issued pursuant to the Placement.

The capital structure of the Company following the Placement will be as follows.

Class of Security	On Issue
Fully Paid Ordinary Shares (post-capital raising)	5,030,579,300
Placement Options exercisable at \$0.025 per share on or before 30 April 2026	196,539,650
Broker Options exercisable at \$0.025 per share on or before 30 April 2026	65,513,217
Unlisted Options exercisable at \$0.008 per share on or before 11 February 2025	75,000,000
Class A Performance Rights	16,875,000
Class B Performance Rights	16,875,000
Class C Performance Rights	11,250,000

Annual General Meeting

The Annual General Meeting will be held at 11am AWST on 31 May 2023 at 1202 Hay Street, West Perth, WA. The Notice of Meeting is expected to be dispatched to Shareholders on or before 2 May 2023.



ASX Listing Rule 5.3.3 Tenement Summary

At 31 March 2023 the Company held the following interests in tenements and/or licenses:

Project	Percentage Interest	Number of Tenements
West Klondike	11.36%	6
Gurvantes XXXV	67%	1

Related Party Payments

During the quarter ending 31 March 2023, the Company made payments of \$35,400 to related parties and their associates. These payments relate to the Directors' fees.

Authorised for release to ASX by the Board of Directors.

For further information please contact TMK Energy at:

WEB: www.tmkenergy.com.au

EMAIL: info@tmkenergy.com.au

ABOUT THE GURVANTES XXXV PROJECT

The Gurvantes XXXV Project (TMK Energy 66%, Talon Energy 33%) covers an area of 8,400km² and is in what is considered one of the most prospective coal seam gas basins globally. Gurvantes is situated less than 20km from the Chinese-Mongolian border and close to the extensive Northern China gas transmission and distribution network. It is also proximate to several large-scale mining operations with high energy needs. Gurvantes is therefore ideally placed to satisfy both local Mongolian, as well as Chinese, energy requirements.

ABOUT TMK ENERGY LIMITED

TMK Energy Limited is listed on the Australian Stock Exchange. TMK is led by an Australian and Mongolian team bringing together the expertise and experience to develop the Gurvantes XXXV CSG Project.

For more details on the Company please visit www.tmkenergy.com.au

Disclaimer: This announcement may contain forward looking statements concerning projected costs, approval timelines, construction timelines, earnings, revenue, growth, outlook or other matters ("Projections"). You should not place undue reliance on any Projections, which are based only on current expectations and the information available to TMK. The expectations reflected in such Projections are currently considered by TMK to be reasonable, but they may be affected by a range of variables that could cause actual results or trends to differ materially, including but not limited to: price and currency fluctuations, the ability to obtain reliable gas supply, gas reserve estimates, the ability to locate markets for CNG and hydrogen, fluctuations in gas and hydrogen prices, project site latent conditions, approvals and cost estimates, development progress, operating results, legislative, fiscal and regulatory developments, and economic and financial markets conditions, including availability of financing. TMK undertakes no obligation to update any Projections for events or circumstances that occur subsequent to the date of this announcement or to keep current any of the information provided, except to the extent required by law. You should consult your own advisors as to legal, tax, financial and related matters and conduct your own investigations, enquiries and analysis concerning any transaction or investment or other decision in relation to TMK. \$ refers to Australian Dollars unless otherwise indicated

Appendix 5B

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Name of entity

TMK Energy Limited

ABN

66 127 735 442

Quarter ended ("current quarter")

31 March 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation (if expensed)	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(182)	(182)
	(e) administration and corporate costs	(253)	(253)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	10	10
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	(425)	(425)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation (if capitalised)	(2,067)	(2,067)
	(e) investments	-	-
	(f) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (Talon Energy funding pursuant to Farmout Agreement)	1,867	1,867
2.6	Net cash from / (used in) investing activities	(200)	(200)

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	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	In-specie Capital Distribution	-	-
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	2,681	2,681
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(425)	(425)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(200)	(200)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,056	2,056

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	2,056	1,681
5.2	Call deposits	-	1,000
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)	2,056	2,681

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
35
-

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

Mining exploration entity or oil and gas exploration entity quarterly cash flow report

7. Financing facilities		Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>			
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>			
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)	425
8.2	Capitalised exploration & evaluation (Item 2.1(d))	2,067
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	2,492
8.4	Cash and cash equivalents at quarter end (Item 4.6)	2,056
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	2,056
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	0.8

8.8 If Item 8.7 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: Yes. The majority of the costs currently being incurred on the Gervantes XXXV CSG Project are being funded by Talon Energy (see Item 2.5). Should this amount be included in the above calculation, the estimated quarters of funding available would increase to 3.3

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: As announced on 20 April 2023, the Company has received firm commitments to raise approximately \$5.7 million, settlement of which is due to occur on 28 April 2023.

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, please refer to the above.

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: 28 April 2023

Authorised by: Dougal Ferguson, Company Secretary

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 6: Exploration for and Evaluation of Mineral Resources* and *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 standards apply 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.