

## ACTIVITIES REPORT FOR THE QUARTER ENDED 30 JUNE 2022

### Highlights

- **100% success rate with maiden drilling program at the Gurvantes XXXV Coal Seam Gas (CSG) Project in Mongolia**
- **World class results with coal thickness, gas content and composition in all wells at or above expectations**
- **Excellent permeability readings in the upper coal seam from two valid tests**
- **Cash on hand as at 30 June 2022 of approximately \$3.4 million and no debt**

### Executive Summary

This quarter ended 30 June 2022 has been the first full quarter of operations for the recently transformed TMK Energy Limited (**ASX:TMK**) (“TMK” or the “Company”) with the commencement of drilling at the 100% owned Gurvantes XXXV Coal Seam Gas (CSG) project in the South Gobi Basin of Mongolia.

The Company commenced a high impact maiden drilling program within the Nariin Sukhait area on 16 March 2022 and has to date drilled and tested two exploration wells. The third exploration well Snow Leopard – 03 (SL-03) commenced on 17 June 2022 and intersected a thick gassy upper coal seam of approximately 60 metres which was then successfully tested. SL-03 was then re-spudded to target the lower coal seam at this location after hole conditions deteriorated.

Initial data from testing of the wells drilled so far has provided positive information on gas content, gas saturation and gas composition, all of which point towards the Company being able to successfully convert a portion of the significant prospective resource in the Project area into contingent resources later this year. Detailed analysis of the results from the testing are expected to be made available in the coming weeks.

The Gurvantes XXXV CSG Project area is situated less than 20 km from the Chinese-Mongolian border and close to the extensive Northern China gas transmission and distribution network. Notably, it is the closest of Mongolia’s CSG projects to China’s West-East Gas Pipeline and it is proximate to several large-scale mining operations with high energy needs. As such, the Gurvantes XXXV CSG Project is ideally situated for future gas sales to satisfy both local Mongolian, as well as Chinese, energy requirements.

With the better than anticipated drilling results achieved during the quarter, the performance hurdle of intersecting greater than 25 metres of coal in any two of the first four exploration wells for both the Class B Performance Shares and the Class B Performance Rights was triggered. This resulted in the conversion of 600 million Class B Performance Shares into ordinary shares and 78.75 million Class B Performance Rights vesting, of which 41.25 million have now been converted into ordinary shares.

As of 30 June 2022, the Company had approximately \$3.4 million and no debt with cash outflows for the quarter of only approximately \$300,000. This is as a result of the first US\$1.5 million of the initial exploration program at the Gurvantes XXXV Project being funded by Talon Energy Limited (ASX: TPD) under an existing two stage farmout agreement. TPD has now funded the first US\$1.5 million under the initial stage. The second stage of US\$3.15 million is subject to a positive election by Talon to proceed after the initial exploration stage is completed.



## Gurvantes XXXV Drilling Results

As at the date of this report, TMK has completed drilling and testing of two of the initial planned four wells in the Nariin Sukhait area of the Gurvantes XXXV CSG Project and is currently at a depth of approximately 348 metres in the third exploration well, Snow Leopard – 03. A summary of each of the wells is provided in the table below.

		SL-01	SL-02	SL-03
Drill hole Details	<i>Date Completed</i>	May-22	Jun-22	July (ongoing)
	<i>Total Depth</i>	675m	540m	348m (ongoing)
Coal	<i>Net Coal Thickness (m)</i>	60m	91m	60m (ongoing)
	<i>Top Coal Intersection</i>	405m	170m	190m
Gas Content	<i>Gas Content m3/t average (as received)</i>	13.2	7.5 - 12.5*	7.5 - 12.5*
	<i>Gas Content average m3/t (daf basis)</i>	15.7	10 - 15*	10 - 15*
Gas Compositions	<i>Methane (CH4) % (avg)</i>	96%	97%	95%
	<i>Carbon Dioxide (CO2) %</i>	3.0%	1.4%	2.8%
Permeability (Upper Seam)	<i>Flow Capacity mD.m</i>	4.1mD.m	1,090 mD.m	760mD.m - 910mD.m
	<i>Coal Permeability mD</i>	0.1mD	47mD	15mD - 20mD*

\*preliminary results

**Table 1 – key parameters by well**

### Detailed Evaluation Program

Each of the three wells have been cored and intersected thick coal units, with net coal thickness in each well ranging from 60m to 91m. The coal units are contained in either the upper coal seam or lower coal seam. The roof of the upper coal seam has been intersected between the depths of 170m and 405m, while the lower coal seam has been intersected from depths of 455m and 575m. Coal seams intersected have been sampled and subjected to gas desorption and gas composition analysis. The detailed evaluation of this data is nearing completion and is expected to be available in the coming weeks.

A total of 122 individual gas desorption samples have been collected from exploration program to date. Final gas content values from samples from Snow Leopard – 01 (SL-01) indicate high gas contents averaging 13.2 m3/t on an as received basis (15.7m3/t on a dry ash free basis). Testing on desorption samples from Snow Leopard – 02 (SL-02) and SL-03 is ongoing, however preliminary results indicate that the coal seam has high gas content (in the order of 7.5m3/t to 12.5m3/t on an as received basis). On the completion of desorption testing, all remaining samples will be despatched to Australia for adsorption testing in order to confirm gas saturation. Samples from SL-01 are currently undergoing adsorption testing in Australia.

Gas samples were obtained from coal core during the desorption process for all three wells and were sent to a laboratory in Ulaanbaatar for testing using gas chromatography. Results of the gas composition analysis confirm that the coal seam gas has high methane (CH<sub>4</sub>) and is broadly consistent from each well and across both the upper and lower coal seams.

Permeability testing of the coal intervals, has been completed on all three wells using a combination of Drill Stem Tests (DST) and Injection Fall Off Testing (IFOT). Initial mechanical issues associated with third party contractor equipment experienced in SL-01 have been resolved which has allowed for successful testing on SL-02 and SL-03. Permeability testing results on the upper seam from SL-02 and SL-03 indicates high permeability,



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which combined with the very thick net coal intersections and should translate to low development costs and strong flow rates.

### Forward Exploration Program

The immediate focus of the Company is to complete its initial exploration program and complete the drilling of SL-03 and SL-04. The Company is considering expanding the program to include a fifth well (Snow Leopard – 05) to add a relatively shallow well (~350 metres) in a location where the lower coal seam is interpreted to be shallower in order to obtain technical parameters over a range of depths.

Following completion of the exploration program, the Company expects to have enough data to be able to complete an independent resource assessment and convert a portion of the already independently certified 5.96TCF of risked prospective 2U (best case) resource (refer to ASX Announcement dated 16 December 2021) to a maiden contingent resource.



**Figure 1 - 2022 Drilling Program drill hole locations**

### Pilot Well Program

With the positive results received thus far from the exploration program, the Company has commenced the planning process for the pilot well program, which includes up to three production wells, metering, production and testing facilities, as well as ancillary equipment required to produce gas to surface.

The Company has progressed discussion with a number of parties with respect to project management and initial FEED studies and is likely to seek to acquire long lead items once the initial engineering work is completed.

### Napoleon Prospect (TMK 20% Working Interest)

There was limited activity during the quarter with respect to the Napoleon Prospect during the quarter with the focus being on the drilling activities in Mongolia. The Company continues to work with the other partners in this prospect to either fund or farm-out the well.

## Changes to the Capital Structure

TMK completed the acquisition of Telmen Energy Limited ("Telmen") on 14 February 2022 through the issue of 1.6 billion shares and 1.6 billion performance shares issued to Telmen shareholders on a pro-rata basis to their shareholding in Telmen. The performance shares consist of three tranches, each with certain performance hurdles to be met. In addition, TMK issued 210 million performance rights to the management and board members of Telmen. These performance rights will also consist of three tranches and have the same performance hurdles as the performance shares.

During the quarter ended 30 June 2022, the performance hurdle with respect to the Class B Performance Shares and the Class B Performance Rights were met. This resulted in the conversion of 600 million Class B Performance Shares into ordinary shares and 78.75 million Class B Performance Rights vesting, of which 41.25 million have now been converted into ordinary shares

## Management and Board Changes

On 4 April 2022, Mr Dougal Ferguson was appointed Company Secretary following the resignation of Ms Sylvia Moss. There were no other Board or Management changes during the quarter ended 30 June 2022

## ASX Listing Rule 5.3.3 Tenement Summary

At 30 June 2022 the Company held the following interests in tenements and/or licenses:

Project	Percentage Interest	Number of Tenements
West Klondike	11.36%	6
Gurvantes XXXV	100%	1

## Related Party Payments

During the quarter ended 30 June 2022, the Company made payments of \$31,000 to related parties and their associates. These payments relate to Directors fees.

## Authorised for release to ASX by the Board of Directors.

For further information please contact TMK Energy at:

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## ABOUT TMK ENERGY LTD

TMK Energy Limited is listed on the Australian Stock Exchange (ASX:TMK) and holds a 100% interest in the Gurvantes XXXV Coal Seam Gas Project located in the South Gobi Basin of Mongolia. TMK also holds 20% interest of the Talisman Deep Project, which contains the Napoleon structure. TMK is led by an Australian and Mongolian team bringing together the expertise and experience to develop of the Gurvantes XXXV Project.

TMK is focused on the development of the Gurvantes XXXV South Gobi Natural Gas Project located in the South Gobi basin of Mongolia. TMK is committed to responsibly developing this Project into a world class producing gas field on behalf of and for the benefit of Mongolia.

For more details on the Company please visit [www.tmkenergy.com.au](http://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.