

FUNDING SECURED FOR PILOT WELL PROGRAM

- **Talon Energy Limited (ASX:TPD) has exercised its option to earn a 33% interest in the Gurvantes XXXV CSG Project**
- **Talon to fund 100% of the Pilot Well Program up to US\$3.15 million, expected to commence in early 2023**
- **TMK to receive US\$809,333 bonus payment from Talon following an independent assessment of an initial 2C Contingent Resource estimate of 1.2TCF**
- **Pilot Well Program progressing with initial design, engineering work and tendering processes nearing completion**

TMK Energy Limited (ASX:TMK) (“**TMK**” or the “**Company**”) is pleased to advise that Talon Energy Limited (ASX:TPD) (“**Talon**”) has exercised its option to earn a 33% Working Interest in the Gurvantes XXXV CSG Project in the South Gobi Basin in Mongolia.

Talon will fund the first US\$3.15 million (approx. A\$4.7 million) of the Pilot Well Program which has a budgeted total cost of approximately US\$3.5 million. TMK will remain the Operator of the Project and TMK and Talon will contribute pro-rata to the cost of the Pilot Well Program once the costs exceed US\$3.15 million. Both TMK and Talon will also contribute to all other costs of the Project (e.g. future exploration) in accordance with their respective interest in the Project (TMK 67% and Operator, Talon 33%).

In addition, following the significantly better than expected 2C Contingent Resource estimate of over 1.2TCF (see ASX release dated 9 November 2022), Talon will also make an additional payment of US\$809,333 to TMK pursuant to the original Farm-in Agreement. Under the terms of the Farm-in Agreement, the Company receives up to US\$1M over time based on 2C Contingent Resources of between 0.5 TCF and 1.5 TCF. This initial payment of US\$809,333 at such an early stage is a testament to the potential size of the greater Gurvantes XXXV CSG Project.

The Company is in the final stages of assessing tenders for the long lead times and major contracts (e.g. drilling) and with the formal exercise of the option to participate now made by Talon, the Company is now in a position to be able to commit to a number of these items and quickly progress the Pilot Well Program in accordance with the previously announced timetable.

Drilling of the Pilot Wells is forecast to commence in mid to late Q1 2023 with surface facilities build out and commissioning expected to be completed in Q2 2023. Based on data to hand and other operator’s experiences to date, the Company is confident that gas can be produced to surface in a relatively short time after full commissioning.

The early exercise of the option by Talon together with its recent successful fund raising is a strong endorsement of the Project and provides TMK with the funding to advance the Pilot Well Program in a timely manner. This next major step has the aim of producing gas to surface and confirming the “Proof of Concept” that gas can be economically produced from what is a very large natural gas resource located next door to one of the world’s largest and fastest growing energy markets.

For the purposes of ASX Listing Rule 15.5, the Board has authorised for this announcement to be released.



Mr Brendan Stats, TMK Energy's Chief Executive Officer commented:

"We are pleased to formally welcome Talon as our partner in the Gurvantes XXXV Project. Talon has been involved in the Gurvantes XXXV Project since February 2021, and the positive election to become a partner in our Project is a great endorsement and a reflection of the value that has been created during the last 2 years.

We now look forward to the next stage of the Project, the Pilot Well Program, which aims to flow gas to surface over an extended production test, to demonstrate the productivity of the reservoir and demonstrate the commercial viability of the Project.

The additional US\$809,333 payable to TMK following our outstanding initial 2C Gross Contingent Resource estimate of 1.2TCF, which far exceeded our expectations, is a welcome addition. The additional funds, together with the US\$3.15 million funding by Talon for the Pilot Well Program, means we can proceed with the next important phase of the Project and head into 2023 with an active, well-funded work program."



From Left: TMK Energy's Dougal Ferguson (Chief Commercial Officer) and Tsetsen Zantav (Advisor to the Board) and Talon's Managing Director, Colby Hauser

ABOUT TMK ENERGY LTD

TMK Energy Limited is listed on the Australian Stock Exchange (ASX:TMK) and holds a 67% interest (and Operator) in the Gurvantes XXXV Coal Seam Gas Project located in the South Gobi Basin of Mongolia and a 20% interest in the Talisman Deep Project, in the Barrow-Dampier sub-Basin. TMK is led by an Australian and Mongolian team bringing together the expertise and experience to develop the Gurvantes XXXV Project.

TMK are 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

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.

