

ACTIVITIES REPORT FOR THE QUARTER ENDED 31 DECEMBER 2022

Highlights

- **1.2 Trillion Cubic Feet (TCF) Contingent Resource (2C) of gas certified by NSAI for the Gurvantes XXXV Project in Mongolia, resulting in a further payment of US\$0.8 million to TMK Energy pursuant to the Talon Energy farm-in agreement.**
- **Talon formally exercised its option to acquire 33% interest in the Gurvantes XXXV Project after satisfying its Stage 1 farm-in commitment, with Talon now committed to fund the first US\$3.15 million for the Pilot Well Program.**
- **The Gurvantes XXXV Project currently has the largest coal seam gas Contingent Resource (2C) in Mongolia and the closest 2C resource to China's major pipeline infrastructure.**
- **The Pilot Well Program, which aims to flow gas to surface and gather additional reservoir data, is well advanced with long lead items ordered and the award of the drilling contract expected shortly.**

Executive Summary

The quarter ending 31 December 2022 has been an active and successful period for TMK Energy Limited (**ASX:TMK**) ("TMK" or the "Company") with the completion of the Exploration Drilling Program and delivery of its maiden independently assessed Contingent Resource estimate for the Nariin Sukhait area within the Gurvantes XXXV Coal Seam Gas (CSG) Project in the South Gobi Basin in Mongolia.

The Company's final well in the 2022 exploration program was completed on 11 October 2022. The exploration drilling program consisted of seven exploration wells drilled on 5 sites approximately 2.5 kilometres apart over a ~10 kilometre strike, the results of which delivered a 1.2 Trillion Cubic Feet (TCF) Contingent Resource (2C) of gas being certified for the Project. The independent assessment was undertaken by Netherland, Sewell and Associates ("NSAI") which is a world-renowned petroleum consulting firm specialising in resource assessments, based in Texas.

The 1.2 TCF Contingent Resource (2C) for the Project is the largest contingent CSG resource in Mongolia, and notably, the closest of Mongolia's CSG projects to China's West-East Gas Pipeline. It is also proximate to several large-scale mining operations with high energy needs which are currently being powered by imported energy from China or diesel generators. Accordingly, the Gurvantes XXXV CSG Project is ideally situated for future gas sales to satisfy both local Mongolian and Chinese energy requirements.

Following the completion of the initial drilling program and release of the independently assessed maiden Contingent Resource estimate, Talon Energy Limited ("Talon") elected to exercise its option to acquire a 33% interest in the Project. Talon is now committed to fund the first US\$3.15 million for the Pilot Well Program which has a budgeted total cost of approximately US\$3.5 million. Preparation for the upcoming program is well advanced with design work complete and the tendering for contract services nearing completion.

During the quarter ending 31 December 2022, TMK also completed the acquisition of two 10 kilometre 2D seismic lines within the Gurvantes XXXV Project to further define future exploration locations to continue to de-risk the significant Prospective Resource (2U) already independently assessed by NSAI.

As of 31 December 2022, the Company had approximately \$2.6 million in cash and no debt.



Maiden Contingent Gas Resource

On 9 November 2022 TMK delivered an independently assessed Contingent Resource estimate for the Nariin Sukhait area within the Gurvantes XXXV Coal Seam Gas (CSG) Project in the South Gobi Basin in Mongolia (Table 1 and Table 2), together with an updated Prospective Resource estimate for the Nariin Sukhait prospect area (Table 3) completed by NSAI.

Table 1 – Upper Coal Seam Package (Nariin Sukhait Area)

Depth Range (metres)	Unrisked Gross (100%) Contingent Gas Resource (BCF)		
	1C (Low Estimate)	2C (Best Estimate)	3C (High Estimate)
150-750	398	722	1,113
750-1000	0 ⁽¹⁾	492	831
Total	398	1,214	1,944

(1) There are no low estimate contingent gas resources for this target depth as at 31 October 2022, due to lack of pilot well data.

Gas volumes are expressed in the table above in billions of cubic feet (BCF) at standard temperature and pressure basis. The project maturity subclass for the Nariin Sukhait Area upper coal seam package is development on hold and a Chance of Development (COD) has been applied to the numbers in the table.

Table 2 – Lower Coal Seam Package (Nariin Sukhait Area)

Depth Range (metres)	Unrisked Gross (100%) Contingent Gas Resource (BCF)		
	1C (Low Estimate) ⁽¹⁾	2C (Best Estimate) ⁽¹⁾	3C (High Estimate)
150-750	0	0	233
750-1000	0	0	184
Total	0	0	417

(1) The low estimate and best estimate contingent gas resources for the target depths, as at 31 October 2022, are zero due to lack of pilot well data.

Gas volumes are expressed in the table above in billions of cubic feet (BCF) at standard temperature and pressure basis. The project maturity subclass for the Nariin Sukhait area lower coal seam package is development unclarified, and a Chance of Development (COD) has not been applied to the numbers in the table above.

Summary of Results

The Contingent Resource from the Upper Coal Seam package far exceeds the Company's pre-drill expectations and validates the scale and quality of the Gurvantes XXXV Project. This is the largest CSG Contingent Resource (1C, 2C and 3C) recorded to date in Mongolia in what is an emerging and potentially significant industry for the country. Other operators in Mongolia have reported initial CSG Contingent Resources for their projects, however, none are as large as the initial Contingent Resource for the Gurvantes XXXV Project, and none are as close to China's major pipeline infrastructure that supplies one of the fastest-growing natural gas markets in the world.

Updated Prospective Resource Estimate

The Prospective Resource for the Nariin Sukhait area has been updated to reflect the results of exploration in 2022 and the conversion of some of the Prospective Resources to Contingent Resources. The Prospective Resources for Nariin Sukhait presented in Table 3 are exclusively from the lower coal seam identified at Nariin Sukhait. Prospective Resources for other regions with the Gurvantes XXXV Project area are unchanged from those previously reported (see the Company's ASX announcement dated 16 December 2022).

Table 3 – Gross (100%) Prospective Gas Resources (BCF)*

Region	Unrisked Gross (100%) Prospective Gas Resources (BCF)			Risked Gross (100%) Prospective Gas Resources (BCF)		
	1U (Low Estimate)	2U (Best Estimate)	3U (High Estimate)	1U (Low Estimate)	2U (Best Estimate)	3U (High Estimate)
Prospect Area (Nariin Sukhait) ⁽¹⁾	416	774	1,011	375	697	910
Prospect Area (Other) ⁽²⁾	330	515	863	297	464	776
Lead Area ⁽²⁾	6,888	17,940	38,242	1,949	4,142	8,209
Total	**	**	**	2,621	5,303	9,895

(1) Updated Prospective Resource Estimates based on the 2022 exploration program and after allowing for conversion of Prospective Resources now re-classified as Contingent Resources, as of 31 October 2022.

(2) Prospective Resources Estimates (not updated) for prospect areas outside the Nariin Sukhait area and previously identified Lead Areas assessed by NSAI as of 16 August 2021. These estimates are totals of unrisks prospective resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are shown for convenience only.

* Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons.

** Totals of unrisks prospective resources beyond the prospect and lead levels are not reflective of volumes that can expected to be recovered and are therefore not shown in the NSAI report.

The Contingent Resources were independently estimated by NSAI as of 31 October 2022 and prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum Resources Management System (PRMS). NSAI are highly regarded international petroleum consultants based in Dallas, Texas and are considered one of the most experienced and respected coal seam gas certifiers globally. The methodology and contingencies used and address by NSAI are further explained in the Company's ASX announcement dated 9 November 2022.

2D Seismic Acquisition

TMK recently completed the acquisition of two 10 km 2D seismic lines within the Gurvantes XXXV Project to further define future exploration locations to continue to de-risk the significant Prospective Resource (2U) already independently assessed by Netherland, Sewell and Associates (NSAI).

The seismic lines were acquired over areas where coal seams were exposed at shallow depths and will aid in the planning of future exploration drilling programs. The first 10km 2D seismic line was acquired across the Noyon Syncline field in the north of the Gurvantes XXXV Project area, where coal units have been mapped on both the north and south limbs of a broad syncline striking east-west for over 80 km.

The second 10 km 2D seismic line was acquired in the Khukhuzokh field targeting coal units exposed at the surface, interpreted to be an extension of coal units from the Nariin Sukhait field which was the focus of this year's successful drilling program that delivered a 2C Contingent Resource of approximately 1.2 TCF.

The location of the two 10 km 2D seismic acquisitions are shown in **Figure 1** below.

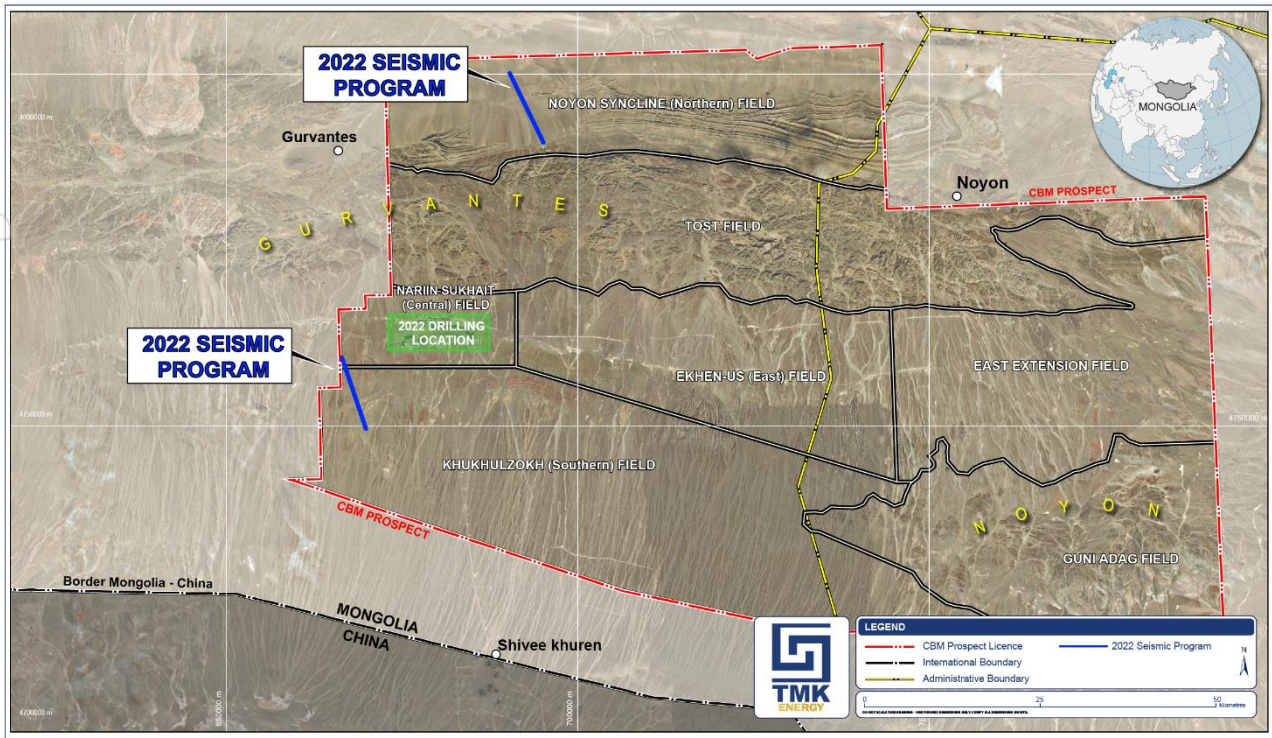


Figure 1 – Gurvantes XXXV, 2022 Seismic Survey Locations

2023 Exploration Program

With the completion of the highly successful initial exploration program, the Company is planning a significant 2023 exploration program with the aim of converting existing Prospective Resources into additional Contingent Resources. The forward exploration program extends eastwards along strike where coal is known to outcrop and will consist of up to eight exploration wells, with the ability to expand the program if results warrant additional drilling.

The 2023 exploration program is expected to include additional 2D seismic acquisition within the Gurvantes XXXV Project covering areas that currently have no Prospective Resources associated with them, which could further expand the prospective areas within the license area.

Pilot Well Program

The Company has significantly advanced the planning and design 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 the surface.

Long lead items have been ordered and the Company expects to award the drilling contract for the three pilot well program shortly. Drilling is expected to commence within 60 days of execution of the drilling contract and each of the three wells is expected to be drilled in less than two weeks. Surface facilities build-out and commissioning of the wells is expected to be completed in late Q2 or early Q3 2023.

The Company commissioned Schlumberger to complete static and dynamic modelling of the data to hand which has delivered positive results, providing the Company with additional confidence that gas can be produced to surface in a relatively short time after full commissioning.

Talon exercise of option

On 30 November 2022, Talon exercised its option to earn a 33% interest in the Gurvantes XXXV CSG Project. Talon is now committed to fund the first US\$3.15 million of the Pilot Well Program which has a budgeted total cost of approximately US\$3.5 million. 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 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 1.2 TCF (see ASX release dated 9 November 2022), Talon has made 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\$1 million over time based on 2C Contingent Resource 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.

Napoleon Prospect (20% non-operated interest)

There was limited activity during the quarter with respect to the Napoleon Prospect, 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

During the quarter ended 31 December 2022, the Company achieved the milestones necessary for both the Class A and Class C Performance Shares and remaining Performance Rights to vest. This resulted in the following issue of fully paid shares upon conversion of the various performance securities:

- 600,000,000 Class A Performance Shares converting to fully paid ordinary shares
- 67,031,250 Class A Performance Rights converting to fully paid ordinary shares
- 400,000,000 Class C Performance Shares converting to fully paid ordinary shares
- 34,687,500 Class C Performance Rights converting to fully paid ordinary shares

There were no other changes to the capital structure during the quarter, other than 781,250 Performance Rights being cancelled due to forfeiture of those rights under the terms of their award prior to the performance hurdles being met.

On 15 November 2022, 192,131,500 fully paid ordinary shares were released from voluntary escrow, with the remaining shares in escrow following conversion of the Class A and Class C Performance Shares now being 1,676,784,000 which will be released from voluntary escrow on 15 February 2023.

As of 31 December 2022, the capital structure of the Company is as follows:

Class of Security	On Issue	Vested and Exercisable	Escrowed to 15 February 2023
Fully Paid Ordinary Shares	4,637,500,000	n/a	1,676,784,000
Class A Performance Rights	16,875,000	Yes	n/a
Class B Performance Rights	16,875,000	Yes	n/a
Class C Performance Rights	11,250,000	Yes	n/a
Options Exercisable at \$0.008 per share on or before 11 February 2025	75,000,000	Yes	n/a

Annual General Meeting

The Company held its Annual General Meeting on 25 November 2022 with all resolutions being passed by poll.

Change in Financial Year End

The Company announced it has changed the Company's financial year end from 30 June to 31 December. The change has been made to align the financial year end of the Company with the Company's Mongolian main operating subsidiary, Telmen Resources LLC.

ASX Listing Rule 5.3.3 Tenement Summary

At 31 December 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 ending 31 December 2022, the Company made payments of \$45,300 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 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

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.

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Directors

Stuart Baker	Non-Executive Director
Gema Gereisaikhan	Non-Executive Director
Brett Lawrence	Non-Executive Director
Tim Wise	Non-Executive Director



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 December 2022

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 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	(92)	(186)
(e) administration and corporate costs	(482)	(790)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	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	(570)	(972)

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)	(548)	(1,004)
(e) investments	-	-
(f) other non-current assets	-	-

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 (6 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	1,188	1,188
	(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 (Telmen Energy cash at acquisition)	-	-
2.6	Net cash from / (used in) investing activities	640	184

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	0	0

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,545	3,403
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(570)	(972)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	640	184
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 (6 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,615	2,615

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	1,615	45
5.2	Call deposits	1,000	2,500
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)	2,615	2,545

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**

45

-

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

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

7. Financing facilities <i>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.</i>	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)	570
8.2 Capitalised exploration & evaluation (Item 2.1(d))	548
8.3 Total relevant outgoings (Item 8.1 + Item 8.2)	1,118
8.4 Cash and cash equivalents at quarter end (Item 4.6)	2,615
8.5 Unused finance facilities available at quarter end (Item 7.5)	-
8.6 Total available funding (Item 8.4 + Item 8.5)	2,615
8.7 Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	2

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:

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: 31st January 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.