GAS FLOWING FROM ALL THREE PILOT WELLS AT GURVANTES XXXV

- **Critical desorption pressure achieved in all three pilot wells with sustained gas flow now established at the Gurvantes XXXV Coal Seam Gas Project in Mongolia**
- **Gas flowing consistently from all three wells and currently being flared**
- **Fluid levels (hydrostatic head) continue to be drawn down in accordance with the reservoir management plan**
- **Initial gas flow rate expected to be reported once hydrostatic head reaches optimal level**

TMK Energy Limited (**ASX: TMK**) ("TMK" or the "Company") is pleased to advise that the Pilot Well Program at the Gurvantes XXXV CSG Project (TMK 67%, Talon Energy 33%) in the South Gobi Basin of Mongolia continues to deliver in line with expectations with gas flows now able to be sustained.

A sustained gas flow has been achieved at the Lucky Fox – 1, Lucky Fox – 2, and Lucky Fox – 3 wells, with the gas flows sufficient to support continuous flares for each of the wells. All three wells still have a hydrostatic head that is being continually pumped off in accordance with the reservoir management plan. Based on the projections and assuming no pump downtime, it is forecast to take several more weeks before the hydrostatic head is reduced to the optimal level at which time the Company expects to be able to report an initial flow rate from the pilot wells.

Figure 1 – Continuous flare achieved from Lucky Fox – 2

Since commissioning approximately three weeks ago, all three wells have been continuously on pump and over that period, the pump speeds have gradually been increased to slowly reduce the fluid levels in the wells and therefore hydrostatic pressure in the reservoir. The wells are currently producing over 600 barrels of water per day (combined) which is continuing to increase, which is an indication of good permeability.

Over the coming weeks, the pump speeds will continue to be increased, and as the fluid levels decrease, the reservoir will continue to depressurise. With critical desorption pressure now reached in each of the three wells, the current low gas rates are expected to gradually increase as is typical of CSG wells.

Once the optimal fluid levels are achieved in each of the wells, the pump speeds will be managed such that the hydrostatic head will be kept at a constant level and at that point, the Company expects to be able to report an initial gas rate.

That initial gas rate is then forecast to increase over the six months of the extended production test as the pressure sink continues to expand from the immediate surrounds of the wellbore further into the coal seams, thereby freeing up more gas to flow into the wellbore.

Although the initial results are highly encouraging, the gas flows need to be measured over the duration of the extended production test to gather enough data to model the deliverability of the wells and a potential production profile to assess the commercial significance of the results of the extended production test.

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

"We are well ahead of where we expected to be at this stage of the extended production test, and we now have demonstrated the "proof of concept" that the coals in the Project area can produce gas to surface via simple, unstimulated, shallow vertical wells.

With the three wells now consistently flowing gas at rates sufficient to support a sustained flare, it is with confidence we can say we have reached critical desorption pressures in these wells. This is a fantastic outcome, particularly this early in the extended production test and as we are still in the process of pumping off the hydrostatic head that remains on these wells.

We look forward to being able to report an initial flow rate from the Pilot Well Program in the coming weeks once we reach the optimal fluid levels in each of the wellbores."

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

ABOUT THE GURVANTES XXXV PROJECT

The Gurvantes XXXV Project (TMK Energy 67%, Talon Energy 33%) covers an area of 8,400km^2 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

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