



ASX ANNOUNCEMENT

11 October 2023



BINDING AGREEMENT TO CONSOLIDATE 100% OWNERSHIP OF GURVANTES XXXV PROJECT

- Binding Heads of Agreement (“Binding Agreement”) executed with Talon Energy Limited (ASX:TPD) to consolidate 100% ownership of the Gurvantes XXXV Project to TMK Energy Limited (TMK)
- Total consideration for Talon’s 33% earned interest in the Gurvantes XXXV Project is the issue of up to 1.1 billion fully paid ordinary shares (ASX:TMK) and up to 550 million listed options (ASX:TMKOB)
- Talon to contribute a further A\$850,000 (less certain costs) towards the Gurvantes XXXV Project adding to TMK’s existing strong cash position
- The proposed transaction is subject to both TMK and Talon shareholders’ approval, with Talon’s board unanimously recommending Talon shareholders vote in favour of the transaction
- TMK considers consolidation of 100% of the Gurvantes XXXV Project within TMK to be compelling for TMK shareholders, increasing exposure to the Project at an exciting stage of its development whilst providing Talon shareholders with an opportunity to participate in the upside of this potentially world class Coal Seam Gas Project.

TMK Energy Limited (ASX: TMK) (“TMK” or the “Company”) is pleased to announce that it has signed a binding agreement with Talon Energy Limited (“TPD” or “Talon”) to consolidate 100% of the ownership of the Gurvantes XXXV Coal Seam Gas (“CSG”) Project in the South Gobi Basin of Mongolia, within TMK. The proposed acquisition remains subject to both Talon and TMK shareholder approval, which is expected to be sought in late November 2023, with completion of the transaction in early December 2023.

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

“After extensive discussions and negotiations with Talon, we are pleased to have reached a binding agreement that consolidates 100% of the ownership of our flagship asset within TMK.

Our most recent operations update confirmed that the Gurvantes XXXV Project Pilot Well Program remains firmly on track and is continuing to meet our expectations, with gas rates and water production all pointing towards a successful long-term test result.

Consolidating 100% ownership under one well-funded ASX listed entity provides TMK with full control and flexibility to maximise the value of the Gurvantes XXXV Project for the existing TMK shareholders and the new TMK shareholders from Talon.

The proposed transaction has been structured in a way that is highly value accretive for existing TMK shareholders through the consolidation of 100% of the Project with minimal dilution and provides the incoming Talon shareholders with a zero-cost exposure to the enormous potential of the Gurvantes XXXV Project.”



Talon Transaction Overview

TMK and Talon have executed a binding Heads of Agreement (“**Binding Agreement**”) pursuant to which TMK will retain ownership of Talon’s 33% earned interest in the Gurvantes XXXV Project (“**Project**”) via the acquisition of Talon’s wholly owned subsidiary, Talon Energy Pte. Ltd. (“**Transaction**”).

TMK Transaction consideration

The consideration for Talon’s earned rights is up to 1,100,000,000 fully paid ordinary shares in TMK (“**Shares**”) and up to 550,000,000 listed options in TMK on the same terms as that of the TMK options that currently trade under the ticker TMKOB (exercisable at \$0.025 on or before 30 April 2026) (“**Listed Options**”).

It is proposed that following completion of settlement of the Transaction, Talon will undertake an in-specie distribution to Talon shareholders on a record date to be determined, subject to any adjustment to the consideration required at settlement under the final completion mechanics.

Approximately 90.982 million TMK Shares and approximately 45.491 million TMK Listed Options will be retained by Talon, some of which may be distributed to Talon’s advisers to satisfy certain transaction costs resulting from the Transaction, such amount to be determined at the sole discretion of the Talon board.

The 90.982 million TMK Shares and 45.491 million TMK Listed Options, along with those distributed via the proposed in specie to Talon’s current board of directors and key management personnel, will be subject to escrow and orderly sale provisions, further details of which will be provided in the Company’s notice of meeting expected to be despatched to shareholders in the coming weeks.

Under the Transaction, Talon is to commit up to A\$850,000 in cash (less costs incurred in connection with the disposal of Talon’s interest in the Project or the Transaction and certain other costs and funding provided for the benefit of Talon’s Mongolian operations and assets, including the Project, by Talon during the disposal/scheme process) to satisfy Talon’s obligations to contribute to any funding for expenditure or other commitments under the project agreements associated with the Project for the period commencing on 1 September 2023 and ending on completion of settlement of the Transaction.

Strategic rationale for TMK

Assuming completion of the Transaction, the key benefits of the Transaction include:

- Consolidating 100% ownership of the Gurvantes XXXV Project into a single entity provides TMK with full optionality to advance the asset to the benefit of the combined shareholders;
- The proposed transaction delivers cost synergies by simplifying ownership and streamlining management of the Project; and
- Highly value accretive for TMK shareholders with a further 33% of the Gurvantes Project consolidated for lower relative up-front dilution through the issue of fully paid shares.

Transaction conditions

The Transaction is subject to a number of conditions precedent, including:

- Approval being obtained from TMK shareholders for the issue of the Shares and Listed Options;
- Approval being obtained from Talon shareholders for the in-specie distribution; and
- The parties obtaining all necessary corporate, governmental, regulatory and third-party approvals, consents and waivers to complete the Transaction.

The Transaction is not conditional on completion of the proposed scheme of arrangement between Talon and Strike Energy Limited (“**Strike**”).

Voting intention statements

TMK's largest shareholder, Tsetsen Zantav, who has a relevant interest in TMK of ~32.06%, has confirmed to TMK that he intends to vote in favour of the Transaction at the planned TMK shareholder meeting required as part of the Transaction.

In addition, each director of TMK intends to vote all TMK shares they hold or control in favour of the Transaction at the planned TMK shareholder meeting required as part of the Transaction.

Indicative Timetable and Next Steps

TMK shareholders will be asked to approve the issues of securities necessary to complete the proposed transaction at an extraordinary general meeting ("EGM"), which is expected to take place in late November 2023.

Further details in relation to the proposed transaction will be provided by TMK to its shareholder in due course. The notice of meeting is expected to be sent to TMK shareholders by late October 2023.

The indicative timetable for the Transaction is as follows:

Event	Indicative timing
Despatch of TMK meeting materials and TMK meeting materials	Late October 2023
Talon EGM and TMK EGM	Late November 2023

The timetable is indicative only and remains subject to change at the Company's discretion, subject to compliance with applicable laws and the ASX Listing Rules.

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 8,400km² and is in what is considered one of the most prospective coal seam gas basins globally. The Project 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. The Project 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