

**QUARTERLY ACTIVITIES REPORT FOR THE  
PERIOD ENDED 30 SEPTEMBER 2023**

- **Binding Agreement to consolidate ownership of the Gurvantes XXXV Project 100% within TMK**
- **Pilot Production wells commissioned and gas flowing from all three wells with all current indicators pointing towards a successful extended production test being achieved**
- **Winterisation activities underway to ensure production wells continue production through the sub-zero temperatures of the Mongolian winter**
- **Exploration program in Terra Energy's Baruun Noyon Uul coal mine area now expanded to include up to 8 cored exploration wells**
- **45 metres of gassy coal intersected in Terra area, over 100 kilometres to the east of Nariin Sukhait (pilot well location)**
- **Management team strengthened in Mongolia with key appointment of General Manager – Operations**

TMK Energy Limited (ASX:TMK) ("TMK" or the "Company") is pleased to provide an overview of the Company's activities for the period ending 30 September 2023 ("Quarter", "Reporting Period").

Of great significance, TMK announced on 11 October 2023 that it had 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 and is expected to be completed in mid-December 2023. With 100% ownership, TMK is in a strong position to advance the project at pace and have the flexibility to introduce new funding partners and leverage the 100% ownership to the greatest extent possible.

**Commenting on the Quarter, Mr Brendan Stats, TMK Energy's Chief Executive Officer said:**

*"It has been a very active September quarter with gas flows successfully being achieved from all three of our Lucky Fox Pilot Wells at our Gurvantes XXXV Project, with all key indicators pointing towards a positive demonstration of the proof of concept that the coals in the Project area can produce gas to surface via simple, unstimulated, shallow vertical wells.*

*Outside of our core area at Nariin Sukhait, we have had encouraging drilling results from our exploration program over 100 kilometres to the east of Nariin Sukhait intersecting thick gassy coals at Terra Energy's Baruun Noyon Uul coal mine area as we expand our exploration efforts into other potentially significant areas within our 8,400 km<sup>2</sup> license area.*

*Furthermore, 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. 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 new TMK shareholders resulting from this important transaction with Talon."*



## Consolidation of 100% of Gurvantes XXXV Project within TMK

TMK and Talon signed a binding agreement to consolidate 100% of the ownership of the Gurvantes XXXV CSG Project within TMK on 11 October 2023. The proposed acquisition remains subject to both Talon and TMK shareholder approval, with TMK's shareholder meeting scheduled for 10.00 a.m. (WST) on Thursday 30 November 2023.

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").

Settlement of the proposed transaction is scheduled to occur in mid-December after which Talon will undertake an in-specie distribution to Talon shareholders of the balance of the consideration securities not retained by Talon.

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 proposed 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, details of which are included in the Company's notice of meeting despatched to shareholders and announced to ASX on 30 October 2023.

Under the proposed transaction, Talon will contribute additional cash towards the project of approximately \$850,000 (less certain transaction costs). This funding is broadly speaking equivalent to Talon's 33% share of the remaining 2023 budget for the Gurvantes XXXV project and effectively provides funding for Talon's share through to early 2024.

## Extended Production Testing

The extended production testing commenced on 17 July 2023 and a buildup of gas pressure in the Lucky Fox 1 well commenced almost immediately. The first gas to surface for the Gurvantes XXXV Project was released from Lucky Fox 1 and flared on 24 July 2023. In the days and weeks that followed, each of the two other production wells began producing gas to surface and have been performing as expected during the Reporting Period.

As reported in the Company's monthly operations updates, the pilot production wells continue to perform in line with expectations, with good water production rates, decreasing reservoir pressure and methane gas continuously flowing to surface and flared from each of the three pilot wells. Several pump shutdowns in Lucky Fox 3, due mainly to produced coal solids in the water have been experienced since the pilot well production commenced in early July, with these being remedied quickly and efficiently by the Company's operational team in Mongolia.

These pump shutdowns do somewhat delay the time required to deliver a potentially commercial flow rate as each time a pump shuts down for an extended period of time, the fluid level in the affected well increases significantly, requiring the drawdown process to start again once the pump is back online. However, as the dewatering process advances, the fluid levels can be drawn down more rapidly than the initial draw-down process.



**Figure 1 – Lucky Fox 1 Pilot Production Well**



**Figure 2 – Lucky Fox 2 Pilot Production Well**

The Company continues to expect the pilot well program to have sufficient capacity to effectively dewater the coals and deliver a successful extended production test in a reasonable timeframe. The Company will continue to provide regular monthly updates on the progress of the performance of the pilot wells and looks forward to being able to report sustained gas flow rates in the coming months as the dewatering process advances.

## Pilot Well Production Facilities

During the Reporting Period, following the successful commissioning of the pilot well facilities, work commenced on the winterisation of the facilities to ensure that the extended production test can continue to operate through the sub-zero winter conditions that are experienced in the South Gobi Desert.

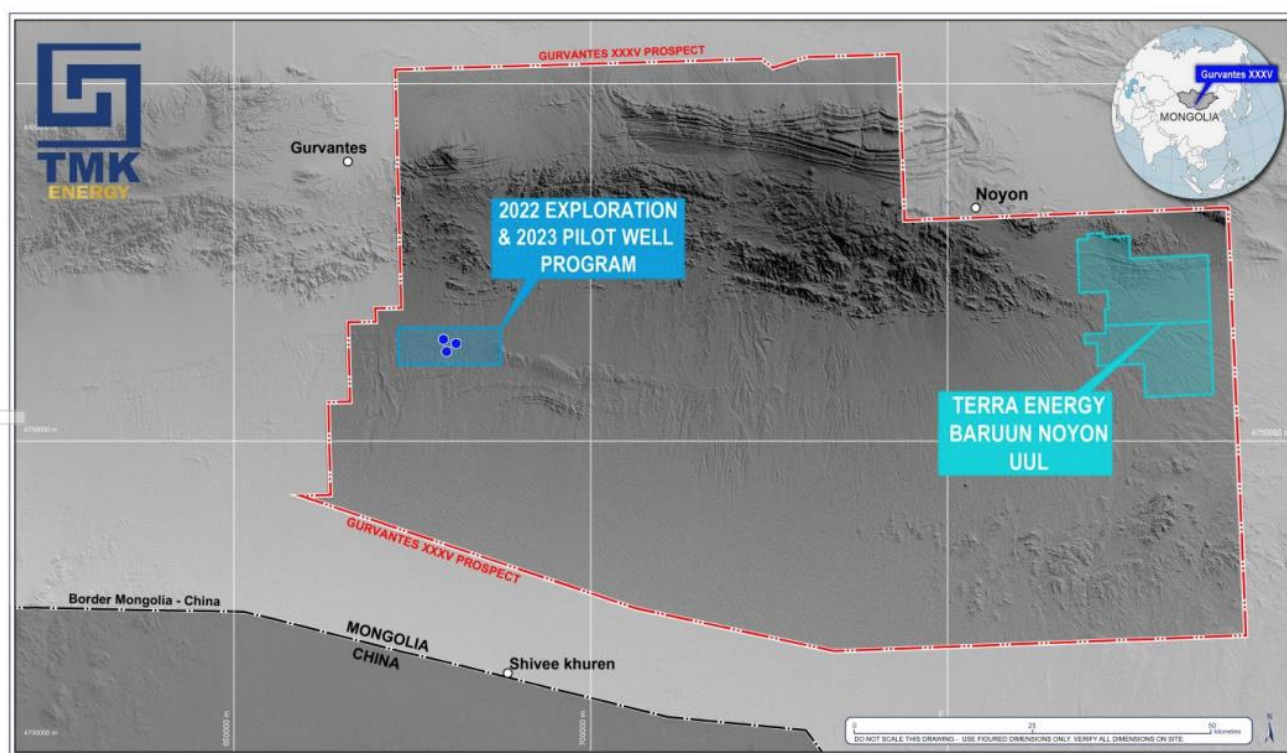
This work involves burying water pipes, heat tracing and insulation of critical elements of the production process and is well advanced and expected to be completed in the coming weeks.

## 2023 Exploration Program

On 28 August 2023, the Company entered into an Exploration Cooperation Agreement with Terra Energy LLC ('Terra') to accelerate the exploration of the eastern area of TMK's acreage approximately 100 kilometres to the east of the Nariin Sukhait area, where the Company is operating its pilot production wells. Terra is the owner and operator of the Baruun Noyon Uul Coal Mine as indicated on the map in Figure 3.

A total of four cored exploration wells have been completed to date. The first two exploration wells called TU23\_002C and TU23\_003C intersected multiple coking coal intervals with a net coal thickness between 5m to 10m and low gas contents indicated. Full testing of these wells for CSG potential was not undertaken.

The third cored exploration well completed BHN23\_002C, intersected a total net coal thickness of approximately 45m and preliminary testing data indicates moderate to high gas contents. The thick gassy seam is consistent with and interpreted to be in the same geological formation intersected in the Nariin Sukhait area, which is located approximately 100 kilometres along strike to the west. This is an encouraging exploration result, with the program in this area now expanded to include a further four cored wells which are expected to be completed this year.



**Figure 3 – TMK Energy Project Location Plan**

The fourth cored exploration well called KSN23\_005C was drilled to a total depth of 308 metres and intersected a net coal thickness of approximately 21 metres. Preliminary gas desorption testing indicates that coal contains low gas contents.

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In addition to the four completed cored exploration wells, an additional cored well called TU23\_001C located between TU23\_002C and TU23\_003C encountered difficult drilling conditions before intersecting the target interval, and a decision was made to abandon this well and not attempt to re-drill.

The 2D seismic acquisition program commenced in late September and the field data collection was completed in October. Furthermore, additional reconnaissance exploration work is being undertaken in the northern part of the Project area adjacent to an existing coal mine and dependent on results, may warrant further exploration in that area in 2024.

## Corporate

### Management Additions

Subsequent to the end of the Reporting Period, the Company appointed an experienced Canadian national as the General Manager – Operations, based in Mongolia. He has lived and worked in Mongolia and central Asia for over 15 years and has direct hands-on experience at setting up and running remote operations, including operations in the South Gobi Desert.

His experience in developing and implementing appropriate systems and processes including Health, Safety and Environment (HSE) management systems will be invaluable to the Company and will help facilitate the introduction of “fit for purpose” standards designed to mitigate operational, financial and HSE risks. With the Company’s operations in Mongolia growing in complexity, the Board considers his appointment key to the continued success of the Project moving forward.

### ASX Listing Rule 5.3.3 Tenement Summary

At 30 September 2023, the Company held the following interests in tenements and/or licenses:

Project	Percentage Interest	Number of Tenements
Gurvantes XXXV	67%	1

In addition, the Company holds a 20% interest in the Napoleon Deep Prospect via a 20% shareholding in Skye Napoleon Pty Ltd. There was no activity on this project during the Reporting Period.

### Related Party Payments

During the quarter ending 30 September 2023, the Company made payments of \$49,576 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](http://www.tmkenergy.com.au)

EMAIL: [info@tmkenergy.com.au](mailto:info@tmkenergy.com.au)

## ABOUT THE GURVANTES XXXV PROJECT

The Gurvantes XXXV Project (TMK Energy 67%, Talon Energy 33%) covers an area of 8,400km<sup>2</sup> 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](http://www.tmkenergy.com.au)



## 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")

30 September 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(242)	(642)
	(e) administration and corporate costs	(341)	(1,051)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	35	65
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)	-	-
<b>1.9</b>	<b>Net cash from / (used in) operating activities</b>	<b>(548)</b>	<b>(1,628)</b>
<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) exploration & evaluation	(1,257)	(6,563)
	(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 (9 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(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 (Talon Energy funding pursuant to Farmout Agreement)	219	5,359
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(1,038)</b>	<b>(1,204)</b>
<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,699
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	-	(337)
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	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>5,362</b>
<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	6,798	2,681
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(548)	(1,628)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(1,038)	(1,204)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	5,362

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
4.5	Effect of movement in exchange rates on cash held	-	-
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>5,212</b>	<b>5,212</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter \$A'000</b>	<b>Previous quarter \$A'000</b>
5.1	Bank balances	3,712	5,298
5.2	Call deposits	1,500	1,500
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>5,212</b>	<b>6,798</b>

<b>6.</b>	<b>Payments to related parties of the entity and their associates</b>	<b>Current quarter \$A'000</b>
6.1	Aggregate amount of payments to related parties and their associates included in item 1	50
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

*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

<b>7. Financing facilities</b>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i>		
<i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	-	-
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	-	-
7.5 <b>Unused financing facilities available at quarter end</b>		-
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.		

<b>8. Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1 Net cash from / (used in) operating activities (item 1.9)	548
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	1,257
8.3 Total relevant outgoings (item 8.1 + item 8.2)	1,805
8.4 Cash and cash equivalents at quarter end (item 4.6)	5,212
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	5,212
8.7 <b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	2.89
<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8 If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1 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: N/A	
8.8.2 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: N/A	
8.8.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?	
Answer: N/A	
<i>Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.</i>	



## 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: 31 October 2023

Authorised by: Board of Directors

## 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.