

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2023

- Initial gas flows achieved from Pilot Well Program at the Gurvantes XXXV Project in Mongolia
- Lucky Fox 1, 2 and 3 all now producing gas which is being intermittently flared during the build-up stage of the extended production test
- Three production wells drilled successfully on time and budget, intersecting very thick, gassy coal seams:
 - Lucky Fox 1: Total depth of 375m intersecting 60m of gassy coal
 - Lucky Fox 2: Total depth of 407m intersecting 62m of gassy coal
 - Lucky Fox 3: Total depth of 515m intersecting 68m of gassy coal
- Well completion, well commissioning and supporting infrastructure, including downhole pumps, gas flaring systems, gas metering skids, produced water pipeline, water holding pond, power infrastructure, and sites office successfully completed
- Cash of \$6.8 million and no debt to fund and accelerate the Gurvantes XXXV appraisal and exploration program
- Sydney's Mongolian community supported by TMK Energy at the Naadam Festival held Tillman Park (Sydney) in July

The quarter ended 30 June 2023 (the "Quarter") has been another milestone period for TMK Energy Limited (ASX:TMK) ("TMK" or the "Company") with the successful completion of the much anticipated drilling and completion of the three Pilot Production Wells in the Nariin Sukhait area within the Gurvantes XXXV Coal Seam Gas ("CSG") Project (TMK 67%, Talon Energy 33%) in the South Gobi Basin in Mongolia, with extended production testing now underway and each of the three pilot wells producing gas at increasing rates.

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

"Over the last quarter and during July, the Gurvantes XXXV Project has advanced significantly with gas now being produced from each of the three pilot production wells drilled during the last quarter.

The extended production testing is now underway and to date the results are exceeding our expectations. First gas from all wells has been achieved within two weeks of the commencement of the extended production test which timing wise is significantly ahead of our base case scenarios.

We aim to deliver further shareholder value as the Project progresses from exploration, through appraisal and eventually into production.

Our team have done an amazing job to get to this point and the asset is delivering on its potential through the demonstrable results to date."



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 and flowed for approximately three hours. Upon closing the gas flare line, gas pressure build-up occurred rapidly, and gas has subsequently been flowed to surface and flared intermittently on a daily basis.

Lucky Fox 2, began showing signs of gas pressure build-up after a few days and on 27 July 2023, the initial gas from the well was flowed to surface and flared. Lucky Fox 3, which is the deepest well and initially had the highest fluid level in the well, has also generated enough build-up pressure to require the gas to be flared and this first occurred on 28 July 2023.

Gas pressure rates continue to steadily increase in all three production wells as the pump speeds are gradually increased and the fluid level (hydrostatic head) in each of the wells gradually decreases in line with the reservoir drawdown plan. Water production from the pilot well program has increased as anticipated over the course of the production test from approximately 340 barrels of water per day (bwpd) to a current rate of approximately 520 bwpd (combined).

The wells will continue to be intermittently flared as the gas production rates increase. All wells are expected to be placed on permanent flare over the coming weeks, which will allow for metering of the gas flow rates.



Figure 1 - Lucky Fox 1 well flaring gas





Figure 2 – Lucky Fox 2 well flaring gas



Figure 3 - Lucky Fox 3 well flaring gas



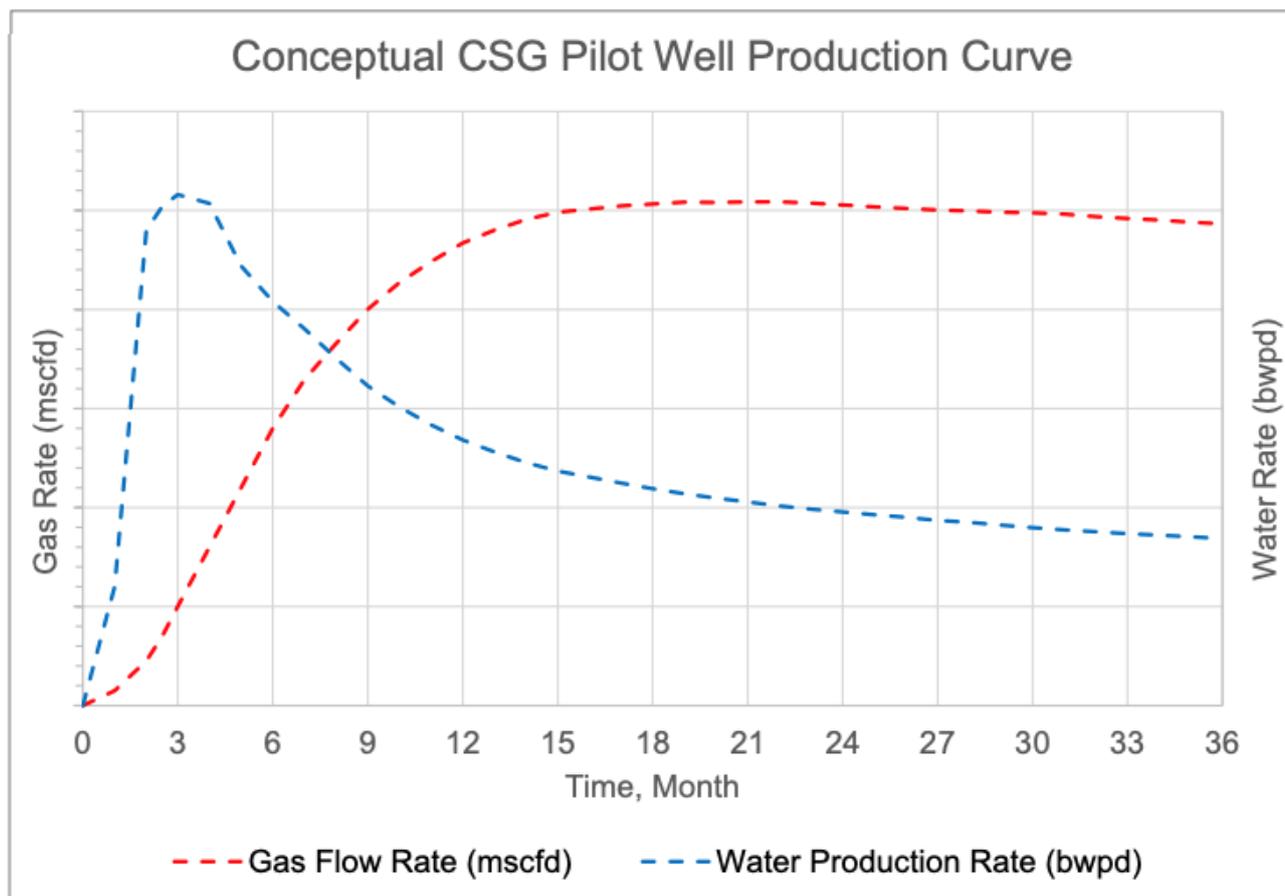


Figure 4 – Conceptual Coal Seam Gas Well Production Profile

As is typical of a Coal Seam Gas well, the wells are expected to initially flow high levels of water and low levels of methane gas, and over the course of the production test, the gas rates are expected to increase.

Figure 2 above demonstrates a typical generic CSG well and results from the Gurvantes XXXV CSG Pilot Well Project may significantly outperform or underperform against this conceptual profile. Once further data becomes available in the coming weeks and months, the Company expects to be able to bench mark the Lucky Fox production wells against this generic profile.

Pilot Well Production Facilities

During the Reporting Period, following the successful drilling and completion of the three pilot production wells in May and June 2023, work quickly progressed on site with the installation of surface facilities to each of the three production wells and associated supporting civil works and infrastructure.

The surface facilities installation includes connecting each of the three production wellheads to a metering skid that measure water and gas rates produced from each well. From the metering skids, gas flow lines run to a flare which burn any unused gas produced.

A water flow line from each of the three metering skids carries produced water to a central water pond before the water is pumped via a 1.2 kilometre pipeline to a final water storage area associated with the adjacent coal mine owned and operated by MAK, the company with which TMK signed a Cooperation and Electricity Offtake Agreement (refer ASX Announcement 20 March 2023).



Figure 5 - Water storage pond at the Pilot Well production facilities



Figure 6 – Preparation for pump and drive head installation at Lucky Fox -3

Pilot Well Drilling Program

The Pilot Well drilling program at Gurvantes XXXV comprised of the drilling of three individual production wells spaced approximately 200 metres apart. The Lucky Fox – 1 well commenced drilling on 12 April 2023 and was drilled to a total depth of 375 metres intersecting over 60 metres of gassy coal in the production interval, being the upper coal seam, before being moved approximately 200 metres to the Lucky Fox–2 well pad.

Following a short period of routine maintenance, Lucky Fox – 2 commenced drilling on 5 May 2023 and was drilled to a total depth of 407 metres and intersected approximately 62 metres of gassy coal in the production interval.

Drilling commenced on 18 May 2023 on Lucky Fox – 3, the final well in the program, and was drilled to a depth 515 meters and intersected the thickest coal interval of the three wells with approximately 68 metres of gassy coal intersected.

The Major Drilling Group owned and operated drilling rig was demobilised from site on early June 2023 with the drilling program being completed safely, on time and on budget.

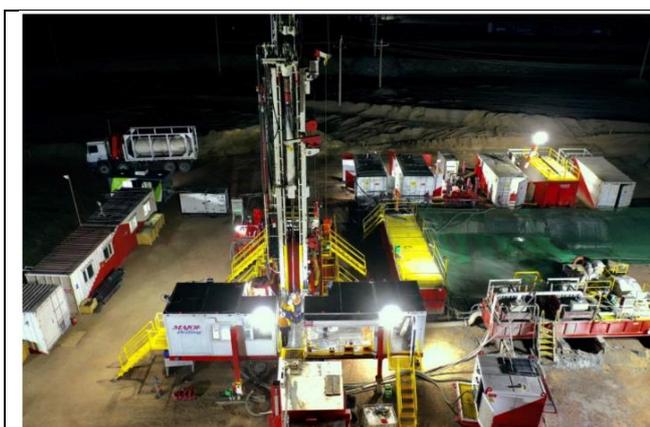


Figure 5 - 24-hour drilling operations at the Lucky Fox - 2 Well Site



Figure 6 - Drilling operations at Lucky Fox – 3 Well Site

The Major drilling rig was demobilised from site on early June 2023 with the drilling program being completed safely, on time and on budget, whilst intersecting over 60 metres of gassy coal in each well, which is exceptionally thick for a CSG project.

Naadam Festival

On 9 July 2023, TMK supported the Mongolian community in Sydney as partners of this year's Naadam Festival. The Company joined this year's celebrations as the major sponsor for the event where over 2,000 people converged on Sydney's Tillman Park to celebrate the rich traditions and culture of Mongolia.

The Naadam Festival is a traditional Mongolian festival that has been celebrated for centuries. It is often referred to as the "Three Manly Games" or the "Three Games of Men" due to its focus on three main sporting events: wrestling, horse racing, and archery. Naadam is one of the most important cultural events in Mongolia and holds great significance for the Mongolian people.

Each year the Mongolian Community Association in Australia bring the festivities to the Australian-Mongolian community in Sydney. TMK strongly committed to making a positive and lasting impact on Mongolia's energy landscape.



Figure 7 - Opening ceremony of the 2023 Mongolian Naadam Festival held in Sydney sponsored by TMK Energy in support of the Sydney Mongolian community

Corporate

Capital Raising of \$5.7m to Accelerate Gurvantes XXXV Exploration Program

On 20 April 2023, the Company announced that it had received commitments to raise approximately \$5.7 million (before costs) through the issue of 393,079,300 shares to sophisticated and institutional investors at \$0.0145 per share (**Placement**). The Placement was supported by new and existing investors, including members of the Board. Placement participants were issued a free attaching option of one-for-two basis, at a strike price of \$0.025 expiring 30 April 2026. Proceeds from the Placement will primarily fund the expansion and acceleration of the exploration drilling program at the Gurvantes XXXV Coal Seam Gas Project in Mongolia.

Bell Potter Securities Limited and PAC Partners Securities Pty Ltd acted as Joint Lead Managers to the Placement pursuant to an agreement dated 23 February 2023. Under the Lead Manager Mandate, the Company agreed to pay the Joint Lead Managers a 6% fee for the funds raised under the Placement. The Company also agreed to issue Joint Lead Managers options on a one-for-six basis, on the same terms as the options issued pursuant to the Placement.

Talon Farm-In Agreement

Talon elected to enter Stage 2 of the Farmout Agreement in early December 2022 and has paid the first US\$3.15 million towards the now completed pilot well program. Talon has now satisfied its Stage 2 funding obligation under the Farmout Agreement. Following satisfaction of the Farmout Agreement funding obligations, Talon and TMK will be funding their proportionate share of further costs (Talon 33%, TMK 67%).

ASX Listing Rule 5.3.3 Tenement Summary

At 30 June 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 vi 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 June 2023, the Company made payments of \$49,000 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 enquiries:

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ABOUT THE GURVANTES XXXV PROJECT

The Gurvantes XXXV Project (TMK Energy 66%, 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. 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

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



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 June 2023

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	-	-
(b) development	-	-
(c) production	-	-
(d) staff costs	(218)	(400)
(e) administration and corporate costs	(455)	(709)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	20	30
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	(654)	(1,079)

2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-
(d) exploration & evaluation	(3,239)	(5,306)
(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	-	-
	(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)	3,273	5,140
2.6	Net cash from / (used in) investing activities	34	(166)
3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,699	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)	(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)	-	-
3.10	Net cash from / (used in) financing activities	5,362	5,362
4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,056	2,681
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(654)	(1,079)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	34	(166)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,362	5,362

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	6,798	6,798

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	5,298	2,056
5.2	Call deposits	1,500	-
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)	6,798	2,056

6.	Payments to related parties of the entity and their associates	Current quarter \$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	49
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-
<i>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.</i>		

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

7. Financing facilities	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
<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 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)	654
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	3,239
8.3 Total relevant outgoings (item 8.1 + item 8.2)	3,893
8.4 Cash and cash equivalents at quarter end (item 4.6)	6,798
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	6,798
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	1.75
<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: No - the majority of the exploration and evaluation costs incurred during the current quarter formed part of the Pilot Well Program at the Gurvantes XXXV CSG Project and were funded 100% by Talon Energy (see Item 2.5). With the Pilot Well Program now complete, the level of exploration and evaluation costs will drop significantly in the quarter ended 30 September 2023.	
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: No	

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

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: Yes, please refer to 8.8.1 above.

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.

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 July 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.