



ASX ANNOUNCEMENT

31 July 2024

QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 JUNE 2024

- **Milestone five-year environmental approval received for drilling activity within the Gurvantes XXXV Project area**
- **Preferred drilling contractor selected for highly anticipated 2024 pilot well drilling program**
- **Winning tender delivered a fixed price, 28% reduction in total drilling and completion costs compared with 2023 pilot well program**
- **Long lead equipment for three wells ordered, paid for and currently being delivered to site ready for commencement of drilling**
- **Board and Management restructure to focus on delivery of the Gurvantes XXXV Coal Seam Project**

TMK Energy Limited (ASX:TMK) (“TMK” or the “Company”) is pleased to provide the following report for the quarter ending 30 June 2024 (“Quarter” or “Reporting Period”).

Commenting on the Quarter, Mr Dougal Ferguson TMK Energy’s CEO said:

“Preparations for our highly anticipated second phase pilot well drilling program of up to three additional pilot wells have advanced rapidly since our environmental approval (DEIA) was received in late June 2024. This milestone approval gave the green light to commence drilling in 2024, but more importantly, provided a clear runway for significant additional drilling in 2025 and beyond.

During the Quarter, we ordered, acquired and shipped the majority of the long lead items, including wellheads, casing and surface facilities, and these are now either in country or enroute to the Nariin Sukhait area where the drilling will commence in the coming months.

More recently, we have closed the tendering process for the major services and the most significant of these, the drilling tender, has resulted in a fixed price proposal that represents an approximate 28% reduction in pricing from the 2023 program, reflecting the confidence and strong relationships we have built with our key suppliers in Mongolia.

Prior to the ramp up in activity levels, it also provided an opportunity to look at the current Board and management structure of the Company to ensure we were appropriately resourced and utilising both the breadth of knowledge across the Company, but also playing to individuals strengths. A restructure was implemented, and it has now been bedded in for about a month and we have already seen significant improvements and operational efficiencies.

The next several months will be an exciting time as we commence what should be a pivotal point in the Company’s history, targeting increased gas flows and further demonstrating the enormous potential of our Gurvantes XXXV coal seam gas project.”



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EXECUTIVE SUMMARY

On 28 June 2024, the Company announced that it had secured a milestone detailed environmental impact assessment (DEIA) approval which allows the Company to conduct significant drilling and appraisal activities over a five-year period with the approval to drill up to 45 production wells and 95 exploration wells.

This very significant approval enables the Company to commence the 2024 drilling program and drill additional production wells in 2025 and beyond. Following receipt of the approval, the Company commenced with the tendering process and the procurement of long lead items which are now being delivered to the Gurvantes XXXV site.

The tendering process for the drilling contractor, one of the major costs of the drilling program, was also completed with the winning tenderer delivering a 28% reduction in price over the prior year cost for an equivalent program. The tender was also in the form of a fixed price contract which provides additional certainty to the Company in terms of cost. The drilling contract is now being negotiated and is expected to be signed within the coming weeks.

On 2 July 2024, the Company announced a Board and Management reorganisation with Professor John Warburton being appointed as independent non-executive Chairman of the Board and Dougal Ferguson being appointed Chief Executive Officer, initially on an interim basis. In addition, Mr Brett Lawrence has stepped up to a part-time executive director role to assist in the delivery of the Project during this period of high activity for the Company.

Brendan Stats, who has guided the Project through an active, cost-effective and successful exploration and appraisal program, has stepped back into an operational role to focus on the delivery of the Pilot Well Program. At the Mongolian subsidiary level (Telmen Resource LLC), additional changes have been implemented with Mr Tsetsen Zantav stepping up to become Chairman of the Telmen Resource Board and Mr Naran-Uchral Tsedev appointed as the CEO of the local company.

During the Quarter, the Company completed a Share Purchase Plan (SPP) raising approximately \$624,000. On 31 May 2024, the Company held its Annual General Meeting which approved several resolutions, including the issue of free attaching options that were issued to participants in the Placement and SPP as well as authority to issue the shortfall shares from the SPP. The free attaching options were issued pursuant to a prospectus lodged on 14 May 2024.

Pilot Production Wells

The pilot production wells continued to produce constant rates of both water and gas throughout the Quarter. After several independent technical reviews of the data, the Company has determined that additional pilot production wells are required to accelerate the depressurisation of the reservoir which should then allow gas rates to increase and potentially flow at commercial rates.

Following the recently awarded DEIA, the Company is now able to quickly move forward with the 2024 drilling program and has recently started acquiring all the necessary long lead items for the upcoming drilling program, together with awarding the tender for the drilling contractor. Drilling is expected to commence in August 2024.

The preferred drilling contractor that has been selected has excellent background knowledge of the Company's existing Pilot Well Program and has offered a fixed-price drilling and completion package that meets the Company's need for a safe and efficient drilling program. The preferred contractor delivers a cost-effective, fixed-price ("turnkey") solution, which is approximately 28% lower than the all-in drilling and completion costs paid in 2023 for the Lucky Fox 1, 2, and 3 production wells.



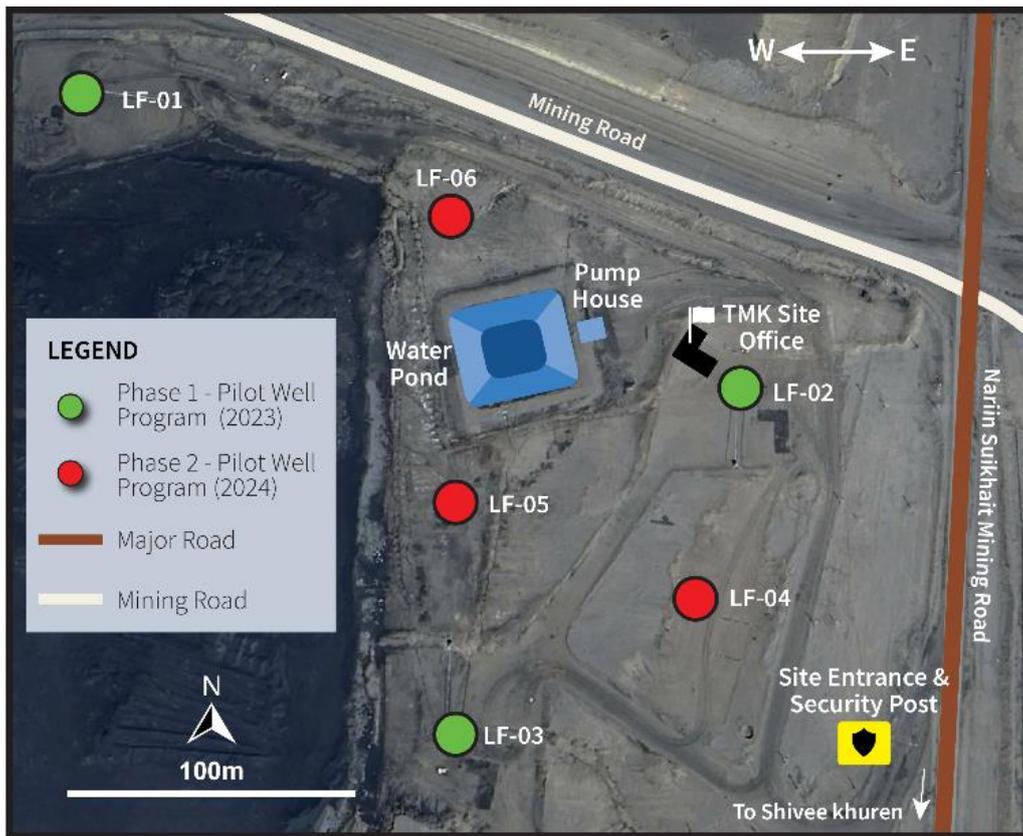


Figure 1 – Lucky Fox 4, 5 and 6 locations within the existing Pilot Well Project area

The 2024 drilling program consists of the Lucky Fox 4, 5 and 6 wells which are designed to complement the Lucky Fox 1, 2 and 3 wells and increase the depressurisation of the immediate area around the central production area. The Company is currently investigating acquiring additional down hole data gathering technologies to assist in its understanding of the reservoir characteristics.

Corporate

Board and Management Refresh

Following the end of the quarter and effective 1 July 2024, a Board and Management reorganisation was implemented with Professor John Warburton being appointed as independent non-executive Chairman of the Board and Dougal Ferguson being appointed Chief Executive Officer, initially on an interim basis. In addition, Mr Brett Lawrence, a non-executive director on the TMK Board, has stepped up to a part-time executive director role to assist in the delivery of the Project during this period of high activity for the Company.

John was appointed as a non-executive Director on 7 March 2023. He has experience in the successful transformation of public energy companies from early exploration through to oil and gas production and sales and has taken an active role at TMK Board level.

Dougal Ferguson has been involved in the Project since late 2020 and played an integral role in the introduction of Talon Energy Limited as a farm-in partner and following the acquisition of Talon Energy by Strike Energy, the consolidation of full ownership of the Project back into TMK in late 2023. Dougal has taken a strong leadership role within the Company and implemented the systems and processes expected of an ASX-listed company that is an operator of a major project in a foreign jurisdiction.

Brett has been a director of the Company since 2015 and was previously Managing Director before transitioning to a non-executive Director when it acquired Telmen Energy in 2022. Brett has a Petroleum Engineering and operational background, with many years of experience developing and growing early-stage development projects.

Mr. Brendan Stats, who has guided the Project through an active, cost-effective and successful exploration and appraisal program, has decided to step back into an operational role and focus on the delivery of the Pilot Well Program. At the Mongolian subsidiary level (Telmen Resource LLC), there have been several Board and Management changes. Most notably Mr Tsetsen Zantav has stepped up to become Chairman of the Telmen Resource Board and Mr Naran-Uchral Tsedev has been appointed as the local CEO.

The Board and Management changes are not expected to materially increase costs to the Company in the short to medium term.

Changes in Capital Structure

During the Quarter, the Company closed a Share Purchase Plan which raised approximately \$624,000. As part of the SPP, the Company agreed to issue one free attaching option to each share and on 31 May 2024, the Company held an AGM which approved amongst other things the issue of the free attaching options which have subsequently been listed with the ASX code TMKO.

The Company has the ability to issue the short fall from the SPP on or before 31 August 2024, which would raise an additional ~\$876,000.

ASX Listing Rule 5.3.3 Tenement Summary

At 30 June 2024, the Company held the following interests in tenements and/or licenses:

| Project | Percentage Interest | Number of Tenements |
|----------------|---------------------|---------------------|
| Gurvantes XXXV | 100% | 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 June 2024, the Company made payments of \$47,475 to related parties and their associates. These payments relate to the Directors' fees.

Authorised for release to ASX by the Board of Directors.

For more information www.tmkenergy.com.au or contact,

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About TMK Energy

TMK Energy Limited is an oil and gas exploration company listed on the Australian Stock Exchange (ASX:TMK). TMK holds a 100% interest in the Gurvantes XXXV Project in the South Gobi Desert of Mongolia which is highly prospective for coal seam gas (CSG).

TMK is focussed on the responsible development of the Gurvantes XXXV Project and establishing itself as a key supplier of cleaner energy to support Mongolia's development and address the significant domestic issues around energy security, reliability, and independence. The Gurvantes Project XXXV is also strategically located less than 20 kms from the Chinese border and close to existing gas infrastructure in northern China, presenting a significant advantage to supplying the world's largest energy market.



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 2024

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date \$A'000 |
|---|---|------------------------------------|---------------------------------|
| 1. | Cash flows from operating activities | | |
| 1.1 | Receipts from customers | - | - |
| 1.2 | Payments for | | |
| | (a) exploration & evaluation | - | - |
| | (b) development | - | - |
| | (c) production | (217) | (478) |
| | (d) staff costs | (464) | (843) |
| | (e) administration and corporate costs | (465) | (846) |
| 1.3 | Dividends received (see note 3) | - | - |
| 1.4 | Interest received | 22 | 35 |
| 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 | (1,123) | (2,131) |
| 2. | Cash flows from investing activities | | |
| 2.1 | Payments to acquire or for: | | |
| | (a) entities | - | (53) |
| | (b) tenements | - | - |
| | (c) property, plant and equipment | - | - |
| | (d) exploration & evaluation | (728) | (1,115) |
| | (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 \$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 (provide details if material) | - | - |
| 2.6 | Net cash from / (used in) investing activities | (728) | (1,168) |

| | | | |
|-------------|---|------------|--------------|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | 623 | 3,155 |
| 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 | (72) | (241) |
| 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 | 551 | 2,914 |

| | | | |
|------------|--|--------------|--------------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 3,130 | 2,215 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (1,123) | (2,131) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | (728) | (1,168) |
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | 551 | 2,914 |
| 4.5 | Effect of movement in exchange rates on cash held | - | - |
| 4.6 | Cash and cash equivalents at end of period | 1,830 | 1,830 |

| 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 | 1,830 | 3,130 |
| 5.2 Call deposits | - | - |
| 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) | 1,830 | 3,130 |

| 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 | 47 |
| 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.

| 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) | 1,123 |
| 8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d)) | 728 |
| 8.3 Total relevant outgoings (item 8.1 + item 8.2) | 1,851 |
| 8.4 Cash and cash equivalents at quarter end (item 4.6) | 1,830 |
| 8.5 Unused finance facilities available at quarter end (item 7.5) | - |
| 8.6 Total available funding (item 8.4 + item 8.5) | 1,830 |
| 8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3) | 0.99 |
| <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: Yes, the Company is about to embark on a three well drilling program and has been acquiring long lead items for this program throughout this quarter. | |
| 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: Yes, the Company has sold approximately half of its listed investment and also has been in discussions with parties interested in subscribing for the shareholder approved SPP shortfall, which is expected to inject approximately \$850,000 into the Company. | |
| 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, the Company continues to have access to sufficient liquidity to meet its short term objectives, being to depressurise the reservoir and demonstrate the ability to produce commercial rates of gas from its Nariin Sukhait coal seam gas Pilot Well Program. | |
| <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: 30 July 2024

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.