



QUARTERLY ACTIVITIES REPORT FOR THE PERIOD ENDED 30 SEPTEMBER 2024

- **Three well drilling program underway with two of the three pilot production wells already successfully drilled and third and final well to commence shortly**
- **Installation of downhole pumps and commissioning of the new wells expected to be completed in the coming weeks**
- **Distributed Temperature Sensing (DTS) technology to be deployed shortly as part of the pump installation process**
- **Cost reduction initiatives ongoing with current quarter cash costs from operating activities reduced by approximately 30% from prior quarter**
- **Placement and Entitlement Issue recently closed raising in total approximately \$2.9 million (before costs)**

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

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

“The quarter ending 30 September 2024, and the last month have been one of the busiest periods for the Company in recent times and the progress that has been made is a credit to all our team.

Not only have we been busy preparing for the drilling program currently underway and the subsequent completion and tie in of the wells to our existing production facilities, but the Company has also been actively raising the additional capital required to take us through to what we are targeting with this program, that being a demonstration that coal seam gas can be produced at commercial rates at our Project.

Both our Australian and Mongolian executive team have been spending significant time on site, sometimes for weeks at a time, to ensure that the program is delivered in a safe, efficient and cost-effective manner. To date, the execution of the program has been faultless.

Another major achievement in recent weeks has been the securing of funding to ensure that the Company is fully funded to deliver our stated objectives. All shareholders had the opportunity to participate in this fund raising and it was very well supported with approximately 85% of the Offer taken up through either Entitlement or Shortfall applications.

Finally, we have been busy reshaping the business and the associated cost base of the Company and have delivered a 30% reduction in cash operating costs during the last quarter with more cash preservation initiatives underway, including all Board and Management agreeing to a 50% salary sacrifice for equity over the next two quarters (subject to Shareholder approval for Directors).

These initiatives, together with the participation by our Board and Management in the Entitlement Issue, shows a significant commitment and strong signal to shareholders of our belief in the Company and our 100% owned Gurvantes XXXV Coal Seam Gas Project.”



EXECUTIVE SUMMARY

During the Quarter, the Company achieved several key milestones to facilitate the commencement of the 2024 drilling program. Early in the Quarter, the Company completed the tendering process and selected a preferred drilling contractor, being Major Drilling. The drilling contract was negotiated and signed in late September once all long lead items necessary for drilling to commence had been secured and delivered to Mongolia.

Drilling subsequently commenced in early October and currently, two wells have been drilled, cased and suspended for installation of the pumps and other associated equipment, which is expected to occur over the next month, after which the wells will be placed on production.

The Company also made the decision to install Distributed Temperature Sensing (DTS) technology in some of the production wells, the first time such innovative technology has been used in Mongolian CSG Projects. This fibre optic system provides real-time data, helping optimize well and reservoir performance by identifying the specific zones contributing gas and water from within the very thick coals seams intervals being produced.

Effective 1 July 2024, the Company made some small but significant changes to the Board and Management to better align individual competencies and experience with the future direction of the Company. These changes have now been bedded down with focus now switched to both organisational and cost efficiencies, resulting in a 30% reduction in cash costs from operating activities with further efficiencies being implemented over the coming months.

On the back of these initiatives, on 1 October 2024, the Company announced that it had received firm commitments to raise \$1.34 million (before costs) through an oversubscribed placement. In addition, the Company launched a non-renounceable rights issue, offering eligible shareholders the opportunity to participate in the fundraising on the same terms as the placement. This Entitlement Issue closed on 25 October 2024 and has raised approximately \$1.6 million, adding approximately \$2.9 million (before costs) of additional liquidity since the end of the Quarter.



Figure 1 – Drilling operations at Lucky Fox-05



2024 Pilot Well Drilling Program

During the quarter, the Company announced the signing of the drilling contract with Major Drilling - a large international TSX-listed drilling company and the same drilling company that completed TMK's very successful 2023 initial three-well pilot well program.

Major successfully completed drilling of the Pilot Well Program in 2023 on time and under budget and have delivered a fixed price ("turnkey") solution for the 2024 drilling program, which shares the risk associated with time delays that inevitably occur during a drilling campaign.

The first of the three additional pilot production wells (LF-05) was successfully drilled to a total depth of 480 metres and intersected approximately 60 metres of net coal, which is as per prognosis and consistent with the existing three surrounding pilot production wells.

On conclusion of the drilling and successful installation of the slotted liner, the rig was moved to the next location, being LF-06, which was successfully drilled to a total depth of 475 metres and again, intersected approximately 60 metres of net coal.

Both wells were drilled trouble-free and with no geological surprises being encountered in the primary objective, the upper coal seam, further validating the current geological model.

The rig will now move to the third and final well (LF-04) location and it is expected that all drilling activities will be completed within the next two weeks after which the three newly drilled production wells will be completed, with tubing and pumps installed in readiness for tie-in to the existing production facilities.

As part of the completion activities, the Company intends to install Distributed Temperature Sensing (DTS) technology in two pilot production wells. This is the first time such technology has been deployed in coal seam gas wells in Mongolia and this innovative reservoir monitoring technology allows the Company to collect "real-time" downhole well data. The fibre optic technology can sense temperature with sensing points uniformly distributed along the length of the fibre optic cable which is run in the wells and attached to the production tubing and specifically can be used in CSG wells to identify gas and water inflow locations within the well.



Figure 2 – Drilling operations at Lucky Fox-06

With approximately 60-70 metres of coal within the upper coal seam at Nariin Sukhait open to the well bore, the DTS technology aims to provide valuable information as to which zones within the 60-70 metres of coal seam are contributing water and gas which will allow future completions to be more targeted to the most productive zones. This will also potentially identify the “sweet spots” within the coal seam that can be targeted with alternative drilling and completion methods in the future field development planning.

Upon conclusion of the drilling activities, and completion and commissioning of the wells, it is expected that the additional pilot wells will provide the extra pumping capacity required to reach the critical gas desorption pressure faster and accelerate a material uplift in gas production rates from the Pilot Well complex within a much shorter timeframe than would otherwise be the case.

Corporate

Management and Board changes

Effective 1 July 2024, the Company made several Board and Management changes to align individual competencies and experience with the future direction of the Company.

The Board changes involved the appointment of Professor John Warburton as independent non-executive Chairman and Mr Brett Lawrence stepping into a part-time executive role.

John was appointed as a non-executive Director on 7 March 2023. His experience in guiding companies from early exploration through to oil and gas production and sales is highly relevant to the current growth ambitions of the Company. Brett has been a director of the Company since 2015 and has been actively involved in the current drilling program, including spending a significant amount of time on site supervising the drilling operations. Brett has a Petroleum Engineering and operational background, with many years of experience developing and growing early-stage development projects.

Mr Brendan Stats was one of three founders of the Gurvantes XXXV Project and has taken the Project from a private company in 2019 through to its listing on ASX in February 2022 when it was acquired by the Company and successfully guided the Company through the early-stage successful exploration and appraisal program. Brendan has stepped down from the Chief Executive Officer (CEO) position to fully focus on the 2024 drilling program, project delivery, field development plans and resource growth opportunities.

At the Mongolian subsidiary level, the most notable change has been the appointment of Mr Naran-Uchral Tsedev as the local CEO. Naran-Uchral has a track record of high-performance business leadership and a wealth of knowledge and experience operating in Mongolia and has already made a significant contribution to the Company driving efficiencies into the local business under the directive of the Board.

Mr Dougal Ferguson was appointed interim CEO role. Dougal has been involved in the Gurvantes XXXV Project since late 2020, and with the Company since February 2022 when TMK acquired the Project. Dougal has taken on the leadership role within the Company and has been leading the Company through its recent fund raising and restructuring initiatives.

Dougal will continue to lead the Company whilst it continues its search for a suitable full time Managing Director, with experience in managing major project developments in overseas jurisdictions.

Changes in Capital Structure

On 1 October 2024, the Company announced it had received firm commitments to raise \$1.34 million (before costs) by way of a Placement, which was oversubscribed and supported by new and existing sophisticated and institutional investors. Concurrently, the Company announced a non-renounceable rights issue to raise up to approximately \$1.9 million (Entitlement Offer).

On 8 October 2024, the Company issued 670,000,000 new fully paid ordinary shares at an issue price of \$0.002 per share. Placement participants were issued one free attaching listed option for every two shares issued, exercisable at \$0.008 per option and expiring 30 April 2027, which were issued pursuant to a Prospectus on 14 October 2024 and trade under the ASX ticker TMKO.



The Placement Shares and Options were not issued subject to shareholder approval and were issued under the Company’s available placement capacity under ASX Listing 7.1.

The Prospectus for the non-renounceable rights issue to raise up to approximately \$1.9 million was lodged with ASIC on 2 October 2024 and eligible shareholders had the opportunity to subscribe for one share for every eight shares held at the record date at a price of \$0.002 per share. Participants in the Entitlement Offer will receive one option for every two shares subscribed for, on the same terms as the Placement.

The Entitlement Offer was extended by three days and closed on Friday, 25 October 2024, with the results of the Entitlement Offer announced on 30 October 2024. Approximately 85% of the available non-renounceable rights issue was subscribed for raising approximately \$1.6 million. Shares and options applied for under the Entitlement Offer will be issued on 1 November 2024.

Three of the four Board participated in the Entitlements Issue along with the Australian based management team. The Company reserves the right to place any shortfall subject to compliance with the ASX Listing Rules.

Financial

As at the end of the Quarter, the Company had approximately \$464,000 in cash and no debt. Since the end of the Quarter, the Company has raised approximately \$2.9 million in additional equity from the Placement and Entitlement Offer, placing it in a strong financial position to deliver on its key stated objectives.

During the Quarter, business and cost efficiencies have been implemented with cash spend on operating activities (production costs, general and administration costs and salaries) reduced by approximately 30% from the prior quarter. With additional cost saving measures being implemented, further operational cost reductions are anticipated over the coming months.

As part of these initiatives, the Board and Australian based management have agreed, subject to shareholder approval, to reduce the cash component of their fees by 50% for the six-month period from 1 October 2024 to 31 March 2025. The remaining 50% will be converted to equity at a 25% discount to the monthly volume weighted average price (VWAP), but in any event, at not less than \$0.002 per share, the same price as the recent fundraising. This initiative will reduce the cash cost to the Company by approximately \$250,000 over the next six months.

ASX Listing Rule 5.3.3 Tenement Summary

At 30 September 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 September 2024, the Company made payments of \$28,852 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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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 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	(180)	(658)
(d) staff costs	(304)	(1,147)
(e) administration and corporate costs	(318)	(1,164)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	9	44
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	(793)	(2,925)
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	(1,045)	(2,160)
(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	486	486
	(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	(559)	(1,727)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	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	(13)	(254)
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	(13)	2,901

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	1,830	2,215
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(793)	(2,925)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(559)	(1,727)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(13)	2,901
4.5	Effect of movement in exchange rates on cash held	(1)	-
4.6	Cash and cash equivalents at end of period	464	464

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

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	464	1,830
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)	464	1,830

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	29
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.		

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

8. Estimated cash available for future operating activities	\$A'000
8.1 Net cash from / (used in) operating activities (item 1.9)	793
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	1,045
8.3 Total relevant outgoings (item 8.1 + item 8.2)	1,838
8.4 Cash and cash equivalents at quarter end (item 4.6)	464
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	464
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.25
<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 currently undertaking a three well drilling program which will be completed by the end of this quarter. The Company has continued to reduce its operating costs during the 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 recently completed a Placement and Entitlements Offer raising approximately \$2.95 million (before costs).	
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: Following the recent successful capital raise, the Company has sufficient liquidity to meet its short term objectives, being to 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: 31 October 2024

Authorised by: Board of Directors

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

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.