

December 2024 Quarterly Activities

- **Successfully drilled, completed and commissioned three additional pilot production wells (LF-04, LF-05 and LF-06) safely, on time and on budget**
- **All six pilot wells at the field now producing gas with positive indicators being observed and good interference between new and existing wells**
- **Early commercialisation agreement executed to beneficially use pilot production gas for power generation**
- **Renewed focus on project delivery, improving operating efficiencies and positioning the Company for significant growth in 2025**
- **TMK Energy now ideally positioned to be the first mover to prove the significance of the nascent, but growing, Mongolian Coal Seam Gas industry**

TMK Energy Limited (ASX:TMK) (“**TMK**” or the “**Company**”) is pleased to provide the following report for the quarter ending 31 December 2024 (“Quarter” or “Reporting Period”).

The recent Quarter was one of delivery with a highly significant work program completed at the Company’s 100% owned Gurvantes XXXV Coal Seam Gas (CSG) Project, which was executed safely, on time and on budget.

Completion of this work program, which has doubled the production capacity at the Company’s initial pilot well project at Nariin Sukhait, provides the Company with a much greater chance of reaching the critical desorption pressure in a much shorter timeframe at this location. Reaching this target is expected to provide a clear demonstration that the significant contingent resources already discovered in this area can be produced at commercial rates, which is one of the key objectives for the Company in 2025.

Mr Dougal Ferguson TMK Energy’s CEO commented:

“The successful completion of our 2024 drilling campaign and the commissioning of our new pilot production wells has been a game changer for the Project.

The Company is well positioned to be the first to demonstrate that commercial gas flows can be produced from coal seams in Mongolia and the strategic partnership with Jens Energie to use our pilot well gas to generate gas fired power from Mongolia CSG is another first for the Mongolian CSG industry.

The TMK team has worked diligently over the last quarter through challenging conditions, and it is a credit to all involved to deliver this significant work program safely, on time and on budget.

We continue to remain razor focussed on delivery of a commercial outcome and truly believe in the tremendous potential of the Project.”



Executive Summary

During the Quarter, the Company successfully drilled, completed and commissioned three additional pilot production wells (LF-04, LF-05 and LF-06) safely, on time and on budget.

The completion of this program marked a significant step forward in expanding production capacity at the pilot well project, which lies within the vast 8,400km² Gurvantes XXXV CSG project area held 100% by TMK.

In addition to the drilling, the Company also installed Distributed Temperature Sensing (DTS) technology that is collecting valuable data to assess the gas and water contributions of the very thick production interval.

Subsequent to the end of the Quarter, the new pilot production wells commenced initial gas production and presently, all six pilot production wells are producing gas which is currently being flared. Initial data is highly encouraging with positive indicators being observed and clear reservoir interference between the new and the existing wells indicating good connectivity and permeability.



New pilot wells with initial gas flares

During December 2024, the Company entered into a Binding Memorandum of Understanding (MoU) with Jens Energie LLC (JEL) for the sale of early-stage gas produced from the six pilot wells. The MoU outlines the details and conditions with the key one being that the Company is required to demonstrate it can produce a minimum of 5,000m³ of gas per day by 30 June 2025.

During the Quarter, the Company successfully raised approximately \$4.75 million (prior to costs) through a combination of placements and an entitlements issue. These funds were primarily utilised for the completion of the 2024 work program and to provide sufficient working

capital to allow the Company to deliver on one of its key objectives of demonstrating commercial gas flows.

2024 Work Program

During the Quarter, the 2024 Work Program was completed, comprising of three additional pilot production wells (LF-04, LF-05 and LF-06) together with the installation of DTS technology in LF-05 and LF-06.

The Company commenced acquiring long lead items for the 2024 work program in Q2 2024 and following the successful award of the Detailed Environmental Impact Assessment (DEIA) in June 2024, the Company was able to commence its planned 2024 work program.

Following the securing of additional funding, drilling commenced in October 2024 and all three wells were drilled and completed by November 2024, with first gas production from the new wells occurring in January 2025.

The addition of three pilot production wells has doubled the production capacity of the Company's initial pilot well project located at Nariin Sukhait. This provides the Company with a much greater chance of reaching the critical desorption pressure in this area in a much shorter timeframe than if additional wells had not been drilled at this location.



Completion and final commissioning of the additional Lucky Fox pilot wells

Reaching the critical desorption pressure is the key to enable significantly greater gas flow rates and allow the Company to more accurately model the maximum potential flow rates and ultimately, the commercial significance of the already proven contingent resource.

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Operations

Production operations from the original three pilot production wells continued uninterrupted during the Quarter.

During the drilling operations, the pump speeds of the original three pilot production wells were intentionally reduced to idle speed to minimise the risk of any potential reservoir damage to those wells during drilling operations.

On completion of the drilling of the new wells, the pump speeds were returned to normal and water levels in these wells quickly reduced and gas production quickly returned to the original wells (LF-01, LF-02 and LF-03).



Existing Pilot Production wells in flare after commissioning new wells

Following commissioning of the new wells (LF-04, LF-05 and LF-06), drawdown of the water levels commenced in accordance with the reservoir management plan. In early January 2025 gas breakthrough occurred, and the wells commenced flaring gas once sufficient volumes were being produced to sustain a flare.

Water levels in the new wells continue to be reduced towards the desired level. At that time, the wells are expected to begin working together to continue to decrease the reservoir

pressure towards the targeted pressure drop required to reach the critical desorption point. Based on the Company's current internal estimates, this is expected to occur in late Q1 or early Q2 2025.

DTS data is successfully being collected from LF-05 and LF-06 and is currently being reviewed. The DTS data is important to help identify which zones within the very thick production interval are contributing the most water and/or gas. Further data continues to be collected as fluid levels continue to decrease, with the data then expected to be able to be interpreted in detail in the coming months.

A continued focus for the Company during the Quarter has been to improve efficiencies and reduce costs of operations now that a firm baseline has been established. Further efficiencies have been driven into the business which resulted in lower costs (in US\$ terms) during the quarter versus the previous quarter.

Early Commercialisation

During the Quarter, the Company executed a binding Memorandum of Understanding (MoU) with Jens Energie LLC (JEL) for the sale of pilot well gas produced the Project.

The binding MoU outlines the key terms under which the Company will sell gas produced during the testing phase of its pilot wells to JEL. JEL intends to burn the gas to generate electricity for customers on the local grid.

Under the terms of the MoU, the Company is required to deliver a minimum of 5,000 m³ of test gas per day from its six pilot wells by 30 June 2025. The Company has agreed to sell JEL up to 15,000 m³ of gas per day for an initial term of two years, with an option to extend for an additional two years. JEL will be required to obtain all necessary approvals and consents to generate and sell electricity to the local grid, enabling the Company to focus on growing its gas production.

During the Quarter, the Company continued discussions with other interested parties that have a significant demand for energy. The demand for energy in Mongolia remains strong and the Company will continue to progress further commercial opportunities as the Project matures and potential customers gain confidence that their energy needs can be met from the Project.



Typical small scale gas fired generator

Corporate

Changes in Capital Structure

During the Quarter, the Company raised approximately \$4.75 million (before costs) through a combination of placements and an entitlements issue.

On 1 October 2024, the Company announced it had received firm commitments to raise \$1.34 million (before costs) by way of a Placement. Concurrently, the Company announced a non-renounceable rights issue on the same terms as the Placement.

The rights issue raised approximately \$1.6 million, being strongly supported with approximately 85% take-up by participants. The shortfall of approximately \$0.3 million, together with a second Placement organised directly by the Company raised a total of approximately \$1.8 million.

All participants in these raises were or are due to be issued one free attaching listed option for every two shares issued, exercisable at \$0.008 per option and expiring 30 April 2027 and trade under the ASX ticker TMKO.

Cost Reduction and Cash Preservation Initiatives

As part of the overall cost reduction and cash preservation initiatives, the Board and senior management in Australia agreed to defer 50% of their fees from 1 October 2024 to 31 March 2025 which, subject to Shareholder approval, will be settled in shares.

The cost reductions and cash preservation initiatives will reduce the cash outflows over the relevant period by approximately \$250,000.

General Meeting Convened

The Company has convened a General Meeting to be held at 10am on Wednesday, 19 February 2025, at which a number of resolutions will be put to Shareholders, including resolutions to ratify or approve, the issue of placement securities, the issue of shares to the Board and management in lieu of deferred cash fees, and the issue of incentive securities to Board and management.

Details are provided in the Notice of Meeting despatched to Shareholders on 17 January 2025.

ASX Listing Rule 5.3.3 Tenement Summary

At 31 December 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 31 December 2024, the Company made payments of \$26,139 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")

31 December 2024

Consolidated statement of cash flows		Current quarter (3 months) \$A'000	Year to date (12 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	(180)	(838)
	(d) staff costs	(336)	(1,483)
	(e) administration and corporate costs	(422)	(1,586)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	17	61
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	(921)	(3,846)
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	(2,090)	(4,250)
	(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 (3 months) \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	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	(2,090)	(3,817)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	4,737	7,892
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	(198)	(452)
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	4,539	7,440

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	464	2,215
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(921)	(3,846)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,090)	(3,817)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,539	7,440
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,992	1,992

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	1,992	464
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)	1,992	464

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	26
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)	921
8.2 Payments for exploration & evaluation classified as investing activities (item 2.1(d))	2,090
8.3 Total relevant outgoings (item 8.1 + item 8.2)	3,011
8.4 Cash and cash equivalents at quarter end (item 4.6)	1,992
8.5 Unused finance facilities available at quarter end (item 7.5)	-
8.6 Total available funding (item 8.4 + item 8.5)	1,992
8.7 Estimated quarters of funding available (item 8.6 divided by item 8.3)	0.66
<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 Company undertook a three well drilling program this quarter and has no immediate plans to drill additional pilot wells. 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: No, the Company has no current plans to raise further capital at this stage.	
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 expects to be able to continue to fund its operations through partnerships and/or additional capital as and when required.	
<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: 24 January 2025

Authorised by: Board of Directors

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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.