

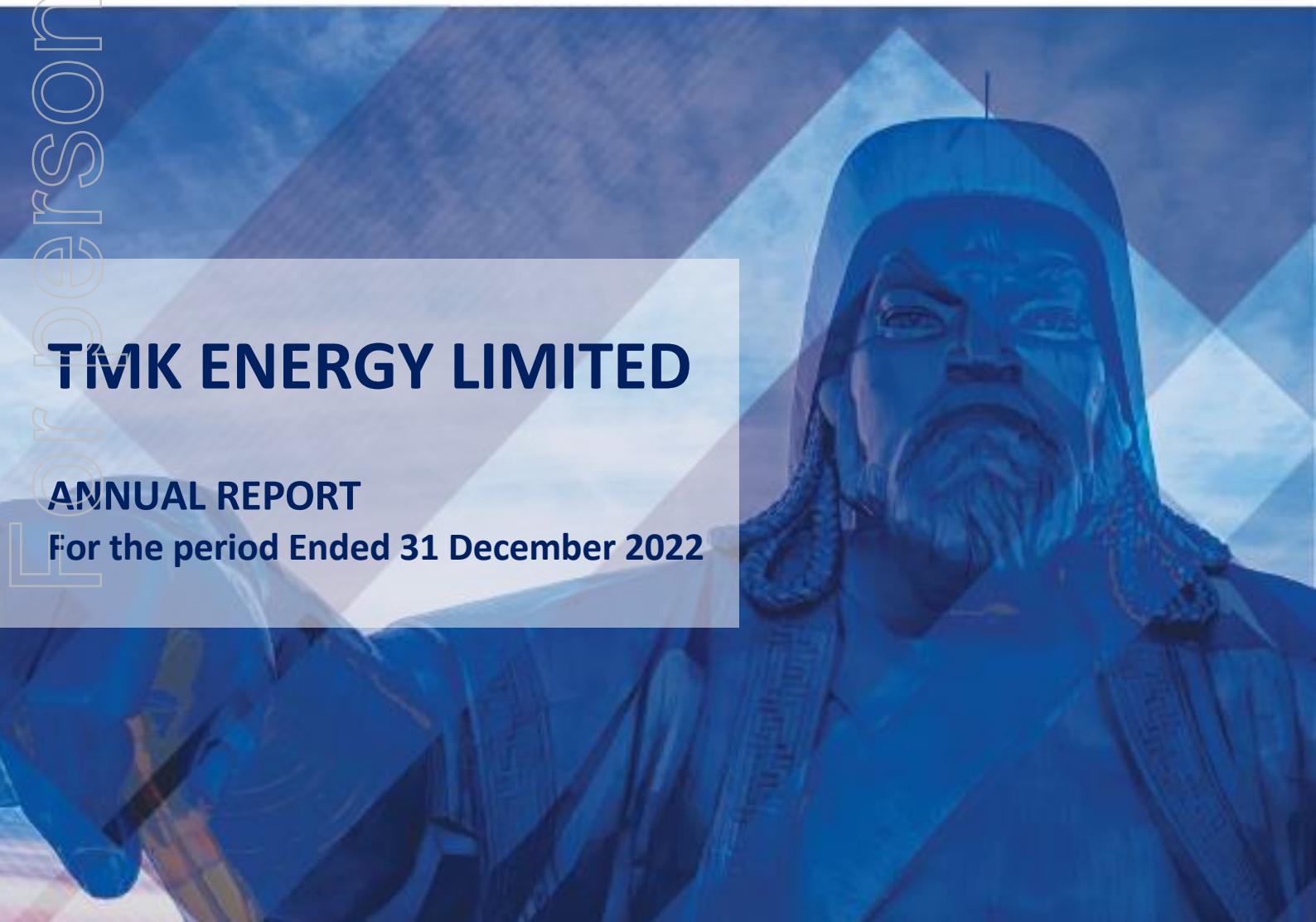
For personal use only



# TMK ENERGY LIMITED

## ANNUAL REPORT

For the period Ended 31 December 2022



## CONTENTS

CORPORATE DIRECTORY .....	2
AUDITOR'S INDEPENDENCE DECLARATION .....	22
CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME .....	23
CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	24
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	25
CONSOLIDATED STATEMENT OF CASH FLOWS .....	26
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS .....	27
DIRECTORS' DECLARATION .....	54
INDEPENDENT AUDIT REPORT TO THE MEMBERS .....	55
ADDITIONAL ASX SHAREHOLDER INFORMATION .....	59
TENEMENT SCHEDULE .....	61

## Corporate Directory

### Directors

Brett Lawrence – Non Executive Director

Gema Gerelsaikhan – Non Executive Director

Tim Wise – Non Executive Director

Stuart Baker – Non Executive Director

Prof. John Warburton – Non Executive Director

### Chief Executive Officer

Brendan Stats

### Company Secretary

Dougal Ferguson

### Registered & Head Office

1202 Hay Street

West Perth WA 6005

Telephone: + 61 8 6319 1900

### Mongolian Office

Level 9, Niislel, 15<sup>th</sup> Khoroo

Buyanzurkh District, Ulaanbaatar

### Auditors

BDO Audit (WA) Pty Ltd

Level 9, Mia Yellagonga Tower 2,

5 Spring St,

Perth WA 6000

### Solicitors

Steinepreis Paganin

Level 4, The Read Buildings

16 Milligan Street

Perth

WA 6000

### Website Address

[www.tmkenergy.com.au](http://www.tmkenergy.com.au)

### Stock Exchange Listings

TMK Energy Ltd securities are listed on the Australian Stock Exchange under the code TMK

### Share Registry

Automic Registry Services

Level 2, 267 St Georges Terrace

Perth WA 6000

Telephone: +61 8 9324 2099

Facsimile: + 61 8 9321 2337

## OPERATION REPORT

### Executive Summary

During the six months ended 31 December 2022, TMK Energy Limited (TMK or the Company) and the consolidated entity (the Group) was focussed on the maiden exploration drilling program at the Gurvantes XXXV Coal Seam Gas (CSG) Project in the South Gobi Desert in Mongolia.

The Company's final well in the 2022 exploration program was completed on 11 October 2022. The exploration drilling program consisted of seven exploration wells drilled on 5 sites approximately 2.5 kilometres apart over a ~10 kilometre strike, the results of which delivered a 1.2 Trillion Cubic Feet (TCF) Contingent Resource (2C) of gas being certified for the Project. The independent resource assessment was undertaken by Netherland, Sewell and Associates ("NSAI") which is a world-renowned petroleum consulting firm specialising in resource assessments, based in Texas.

Following the completion of the initial drilling program and release of the independently assessed maiden Contingent Resource estimate, Talon Energy Limited (Talon) elected to exercise its option to acquire a 33% interest in the Project. Talon is now committed to fund the first US\$3.15 million for the upcoming Pilot Well Program which has a budgeted total cost of approximately US\$3.5 million. Long lead items have been procured, and camp and site preparations are well underway with drilling expected to commence in early Q2 CY2023.

As announced on 11 August 2022, PetroChina demonstrated strong interest in the Project from an early stage which resulted in a Binding Memorandum of Understanding (MOU) being signed between TMK and PetroChina Daqing Tamsag LLC ("DATAMO"), a wholly owned subsidiary of PetroChina. The MOU has since expired on 8 February 2023, however the dialogue remains open as the Company heads into the Pilot Well Drilling Program campaign.

On 20 March 2023, the Company announced that it had signed a Cooperation and Offtake Agreement with Mongol Alt LLC (MAK) pursuant to which MAK has agreed, subject to regulatory approvals and anticipated gas production rates, to purchase electricity generated from the gas produced from the Pilot Well Program at the prevailing wholesale electricity price.

During the six months ended 31 December 2022, the Company achieved the milestones necessary for both the Class A and Class C Performance Shares and remaining Performance Rights to vest. This resulted in the following issue of fully paid shares upon conversion of the various performance securities:

- 600,000,000 Class A Performance Shares converting to fully paid ordinary shares
- 67,031,250 Class A Performance Rights converting to fully paid ordinary shares
- 400,000,000 Class C Performance Shares converting to fully paid ordinary shares
- 34,687,500 Class C Performance Rights converting to fully paid ordinary shares

There were no other changes to the capital structure during the period, other than 6,250,000 Performance Rights being cancelled due to forfeiture of those rights under the terms of their award prior to the performance hurdles being met. TMK's current capital structure is presented in the following table.

Class of Security	On Issue	Vested and Exercisable
Fully Paid Ordinary Shares	4,637,500,000	n/a
Class A Performance Rights	16,875,000	Yes
Class B Performance Rights	16,875,000	Yes
Class C Performance Rights	11,250,000	Yes
Options Exercisable at \$0.008 per share on or before 11 February 2025	75,000,000	Yes

On 7 March 2023, the Company appointed Professor John Warburton as a non-executive director of the Company. Professor Warburton's experience and expertise is detailed in the Director's Report. During the six months ended 31 December 2022, there were no changes to the Board or management of the Company.

## OPERATION REPORT

### Operations Review

#### *Gurvantes XXXV Coal Seam Gas Project (Mongolia)*

##### Overview

The Gurvantes XXXV CSG Project covers a very large area of 8,400 km<sup>2</sup>. Within the Project area, multiple very thick, high quality coal seams outcrop at the surface and extend along an east-west strike for approximately 150km. The Gurvantes XXXV CSG Project area is situated less than 20 km from the Chinese-Mongolian border and close to the extensive Northern China gas transmission and distribution network. Notably, it is the closest of Mongolia's CSG projects to China's West-East Gas Pipeline and is proximate to several large-scale mining operations with high energy needs. As such, the Gurvantes XXXV CSG Project is ideally situated for future gas sales to support both local Mongolian, as well as Chinese, energy requirements.



**Figure 1: Location of the Gurvantes XXXV Coal Seam Gas Project, South Gobi Desert of Mongolia**

TMK's interest is held by its wholly owned subsidiary, Telmen Resource LLC, via a Production Sharing Agreement (PSA). On 21 January 2019, Telmen Resource LLC entered into a Petroleum Prospecting Agreement for three years on the Tenement with the Mineral Resources and Petroleum Authority (MRPAM), the main government organization in charge of minerals and petroleum related matters. On completion of the work program undertaken for the Petroleum Prospecting Agreement in September 2020, Telmen Resource LLC submitted the prospecting work report which was approved and accepted by MRPAM and a request to proceed to the award of a PSA was lodged. The PSA was subsequently awarded in July 2021. Subsequent to the award of the PSA in July 2021, Telmen Resource LLC submitted its request for an exploration license which was awarded in September 2021. This exploration license has a duration of 10 years and can be extended for a further 5 years in certain circumstances.

TMK acquired Telmen Energy Limited, the parent company of Telmen Resource LLC, on 15 February 2022 for total consideration of 1.6 billion ordinary shares and 1.6 billion performance shares. Since February 2022, all of the performance hurdles have been met and all of the performance shares pursuant to the acquisition of Telmen Energy Limited have vested and been issued to the original Telmen shareholders.

#### **2022 Exploration Program**

TMK commenced its high impact drilling program at the Gurvantes XXXV CSG Project in March 2022. The first phase of the exploration program included the drilling of four fully tested cored holes (Snow Leopard-01, 02, 03 and 04). The program was



## OPERATION REPORT

then expanded to include the drilling of an additional well (Snow Leopard-05) following encouraging results from the initial drilling program.



**Figure 2: Snow Leopard exploration drill site at the Gurvantes XXXV Coal Seam Gas Project**

The initial Exploration Drilling Program was a success, with all wells encountering thick gassy coals, with high gas content, high gas composition and good permeability. The results from the initial drilling program and the subsequent certification of a 1.2TCF Contingent Resource (2C) provided sufficient encouragement to proceed to the next phase of the exploration program, being the Pilot Well Program, which is designed to prove and measure gas flow to surface to better understand how the resource can be commercialised.

A summary of the 2022 exploration drilling results is provided in Table 1 below.

**Table 1 - 2022 Exploration Drilling Results Summary**

		SL-01	SL-02	SL-03	SL-03R	SL-04	SL-05	SL-05R
Drill hole Details	Date Completed	May-22	Jun-22	Jul-22	Sep-22	Aug-22	Aug-22	Oct-22
	Total Depth (metres)	675	540	348	558	348	354	511
Coal	Net Coal Thickness (metres)	60	91	60 (Upper Seam)	175	40 (Lower Seam)	40 (Upper Seam)	69
	Top Coal Intersection (metres)	405	170	190	175	290	160	190
Gas Content	Gas Content m <sup>3</sup> /t average (as received)	13.2	9.3	9.8	7.5 - 12.5	5 - 7.5	5 - 7.5	5 - 7.5
	Gas Content average m <sup>3</sup> /t (daf basis)	15.7	10.6	11.8	In Progress	In Progress	In Progress	In Progress
Adsorption	Gas Saturation	High (>80%)	High (>80%)	High (>80%)	In Progress	In Progress	In Progress	In Progress
Gas Compositions	Methane (CH <sub>4</sub> ) % (average)	96%	97%	95%	92%	98%	97%	96%
	Carbon Dioxide (CO <sub>2</sub> ) % (average)	3.0%	1.4%	2.8%	5.5%	1.1%	0.7%	1.7%
Permeability (Upper Seam)	Flow Capacity mD.m	4.1	3,184-3,313	760-910	Not Tested	n/a	Not Tested	1,965
	Coal Permeability mD	0.1	45-47	16-19	Not Tested	n/a	Not Tested	56
Permeability (Lower Seam)	Flow Capacity mD.m	Invalid Test	0.79	n/a	Invalid Test	5.21	n/a	Invalid Test
	Coal Permeability mD	Invalid Test	0.04	n/a	Invalid Test	0.13	n/a	Invalid Test

## OPERATION REPORT

### *Pilot Well Program*

On 15 February 2023, exactly a year after the acquisition of Telmen Resource LLC, TMK announced it had executed a contract with Major Drilling to drill and complete the Pilot Well Program. The Pilot Well Program will include the drilling of three production wells in proximity to the location of the successful Snow Leopard-02 (SL-02) exploration well. The results from SL-02 have been integrated into modelling work undertaken by SLB (previously named Schlumberger) which has shown positive indications on both early gas breakthrough and production rates. This modelling work is highly encouraging and provides a high degree of confidence to the Company that the upcoming Pilot Well Program will be successful in delivering a “proof of concept” and a gas flow to surface at what are modelled to be relatively high production rates when compared to CSG wells globally.

The Pilot Well Program is expected to take approximately eight weeks to complete the drilling of the three production wells and installation of pumps. The production wells will then be tied into the surface facilities, which includes metering skids, a flare stack and water disposal facilities, and then placed on pump to commence the process of pressure drawdown prior to gas breakout. Once commissioned, the pilot wells will be operated for approximately six months in order to understand the water and gas production profiles.



**Figure 3: Newly constructed exploration camp to be utilised for 2023 Pilot Well Program**

On 20 March 2023, the Company announced that it had signed a Cooperation and Offtake Agreement with Mongol Alt LLC (MAK). The agreement represents a key milestone for the Gurvantes XXXV Project as it will lead to significant efficiencies in the Pilot Well Program as well as providing a clear pathway to early commercialisation by providing electricity to one of the largest users in the area. Subject to regulatory approvals and anticipated gas production rates, the gas produced from the three pilot production wells will be used for modular power generation (1MW - 10MW) which will be sold to MAK at the prevailing local wholesale price.

Without such an agreement, the gas produced from the Pilot Well Program would be required to be flared. This initiative and agreement with MAK allows for an environmentally sensible and commercially attractive way to utilise the gas produced from the Pilot Well Program. TMK has also agreed to provide MAK with the water it will produce in the early stages of operation its Pilot Well Program. This is beneficial to both parties as it removes the requirement for TMK to build and operate separate water storage and handling facilities and allows for the beneficial reuse of the water by MAK.

## OPERATION REPORT

Preparations for the commencement of drilling at the Pilot Well Program are well underway with all long lead items procured, the camp construction nearing completion and the well sites currently being prepared to allow the drilling rig to be mobilised. All material permits have been received and drilling is expected to commence in April 2023.

### *Independent Contingent Resource Assessment*

On 9 November 2022, the Company announced the largest CSG Contingent Resource (2C) ever recorded in Mongolia of 1.2TCF for the 70 km<sup>2</sup> Nariin Sukhait area. The contingent resource was based on the testing results from of the highly successful Exploration Drilling Program and undertaken by independent top tier international reserves and resources certifier, Netherland, Sewell & Associates (NSAI). NSAI also provided an update to the previously assessed Prospective Resources which resulted in an overall increase of 9% for the combined contingent and prospective resources for the entire 8,400 km<sup>2</sup> Gurvantes Project area.

The tables below represent 100% of the Gurvantes XXXV CSG Project. However, pursuant to the Farmout Agreement with Talon, Talon are in the process of earning a 33% interest in the Gurvantes XXXV CSG Project through funding both Stage 1 (complete) and Stage 2 (underway) pursuant to the Farmout Agreement.

Additionally, the tables below represent 100% of the resources before any Government share. As royalties are not payable in kind in Mongolia, no netting-out adjustment has been made. The Gurvantes XXXV PSA has terms that determine Government share in various ways. At this stage of the asset life, it's not possible to determine the level of Government take given significant uncertainty over possible gas prices, development and operating costs, and production rates. TMK therefore currently considers it more appropriate to report Contingent and Prospective Resources on a 100% Working Interest basis until there is more certainty with respect to the many variables that affect the overall Government share in the production from the Gurvantes XXXV CSG Project.

Contingent Resources were estimated for the Upper Coal Seam package (Table 2) and a Lower Coal Seam package (Table 3), both of which were the focus of the 2022 Exploration Drilling Program which consisted of the Snow Leopard wells and the associated testing of each of those wells.

**Table 2 – Upper Coal Seam Package (Nariin Sukhait Area)**

Depth Range (metres)	Unrisked Gross (100%) Contingent Gas Resources (BCF)		
	1C (Low Estimate)	2C (Best Estimate)	3C (High Estimate)
150 – 750	398	722	1,113
750 - 1000	0 <sup>(1)</sup>	492	831
<b>Total</b>	<b>398</b>	<b>1,214</b>	<b>1,944</b>

<sup>(1)</sup> There are no low estimate contingent gas resources for this target depth as of 31 October 2022, due to the lack of pilot well data.

Gas volumes are expressed in the table above in billions of cubic feet (BCF) at standard temperature and pressure basis. The project maturity subclass for the Nariin Sukhait Area upper coal seam package is development on hold and a Chance of Development (COD) has not been applied to the numbers in the table above.

**Table 3 - Lower Coal Seam Package (Nariin Sukhait Area)**

Depth Range (metres)	Unrisked Gross (100%) Contingent Gas Resources (BCF)		
	1C (Low Estimate) <sup>(1)</sup>	2C (Best Estimate) <sup>(1)</sup>	3C (High Estimate)
150 – 750	0	0	233
750 - 1000	0	0	184
<b>Total</b>	<b>0</b>	<b>0</b>	<b>417</b>

<sup>(1)</sup> The low estimate and best estimate contingent gas resources for these target depths, as of 31 October 2022, are zero due to lack of pilot well data and conclusive, positive permeability data.



## OPERATION REPORT

*Gas volumes are expressed in the table above in billions of cubic feet (BCF) at standard temperature and pressure basis. The project maturity subclass for the Nariin Sukhait Area lower coal seam package is development unclarified and a Chance of Development (COD) has not been applied to the numbers in the table above.*

The Upper Coal Seam package, in which the Company was highly successful in its data gathering and recording good permeability tests, have been categorized as 1C, 2C and 3C. The Company did not attempt a permeability test of the Upper Coal Seam package in the deeper zones and there is no pilot production data available, therefore no 1C has been ascribed to the Upper Coal Seam package at that depth (see Table 2).

Likewise, the Company was only able to obtain minimal permeability data from the Lower Coal Seam package and in the absence of supporting pilot production data, NSAI have not ascribed any 1C or 2C Contingent Resources to the Lower Coal Seam package but have ascribed a significant quantity to the 3C category, indicating upside in the event the Lower Coal Seam can be shown to have adequate permeability and/or pilot production data from future drilling campaigns.

The Company is currently planning a significant 2023 exploration program with the aim of converting more of the remaining Prospective Resources into Contingent Resources, along with conversion of 3C resources into the 1C or 2C category.

### NSAI Methodology

The Contingent Resources were independently estimated by NSAI as of 31 October 2022 and prepared in accordance with the definitions and guidelines set forth in the 2018 Petroleum Resources Management System (PRMS). NSAI are highly regarded international petroleum consultants based in Dallas, Texas and are considered one of the most experienced and respected coal seam gas certifiers globally.

The Contingent Resources are classified in three categories of 1C, 2C and 3C based on the level of confidence that NSAI has with respect to the recoverability of gas from both the Upper Coal Seam package and Lower Coal Seam package that were intersected in the recent five well Snow Leopard drilling program and have been calculated by NSAI using deterministic methods.

Once all contingencies have been successfully addressed, the probability that the quantities of Contingent Resources recovered will equal or exceed the estimated volumes is 90 percent for the low estimate, 50 percent for the best estimate and 10 percent for the high estimate. The estimates of Contingent Resources included herein have not been adjusted for development risk (Chance of Development). The 1C, 2C and 3C Contingent Resources have been aggregated by arithmetic summation, therefore, these totals do not include the portfolio effect that might result from statistical aggregation.

### NSAI Contingencies

For the Nariin Sukhait area Upper Coal Seam package, the Contingent Resources estimated are contingent upon the collection of additional technical data, through drilling core wells and conducting pilot operations, to establish commercial producibility of project development and, subsequently, the commitment to develop the resources. The project maturity subclass for the Nariin Sukhait area Upper Coal Seam package is development on hold.

For the Nariin Sukhait area Lower Coal Seam package, the Contingent Resources estimated are contingent upon the collection of additional technical data, through drilling core wells and conducting pilot operations, to demonstrate permeability and to establish commercial producibility of project development and, subsequently, the commitment to develop the resources. The project maturity subclass for the Nariin Sukhait area Lower Coal Seam package is development unclarified.

The data used by NSAI to calculate its estimates were obtained from the Company, public data sources, and the non-confidential files of Netherland, Sewell & Associates, Inc., and were accepted as accurate. Data from the Company's Snow Leopard core wells in the project area, coal exploration wells, and nearby coal mines were used to determine the lateral continuity and volume of coal to identify potentially attractive target areas.

### Updated Prospective Resource Estimate

The Prospective Resources for the Nariin Sukhait area have been updated to reflect the results of exploration in 2022 and the conversion of some of the Prospective Resources to Contingent Resources. The Prospective Resources for Nariin Sukhait presented in Table 4 are exclusively from the lower coal seam identified at Nariin Sukhait. Prospective Resources for other regions within the Gervantes XXXV Project area are unchanged from those previously reported (see the Company's ASX announcement dated 16 December 2021).

## OPERATION REPORT

**Table 4 - Gross (100%) Prospective Gas Resources (BCF)\***

Region	Unrisked Gross (100%) Prospective Gas Resources (BCF)			Risky Gross (100%) Prospective Gas Resources (BCF)		
	1U (Low Estimate)	2U (Best Estimate)	3U (High Estimate)	1U (Low Estimate)	2U (Best Estimate)	3U (High Estimate)
Prospect Area (Nariin Sukhait) <sup>(1)</sup>	416	774	1,011	375	697	910
Prospect Area (Other) <sup>(2)</sup>	330	515	863	297	464	776
Lead Area <sup>(2)</sup>	6,888	17,940	38,242	1,949	4,142	8,209
<b>Total</b>	<b>**</b>	<b>**</b>	<b>**</b>	<b>2,621</b>	<b>5,303</b>	<b>9,895</b>

<sup>(1)</sup> Updated Prospective Resources Estimates based on the 2022 exploration program and after allowing for conversion of Prospective Resources now re-classified as Contingent Resources, as of 31 October 2022

<sup>(2)</sup> Prospective Resource Estimates (not updated) for prospect areas outside the Nariin Sukhait area and previously identified Lead Areas assessed by NSAI as of 16 August 2021. These estimates are totals of unrisked prospective resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are shown for convenience only.

\*Cautionary Statement: The estimated quantities of petroleum that may be potentially recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation are required to determine the existence of a significant quantity of potentially movable hydrocarbons.

\*\*Totals of unrisked prospective resources beyond the prospect and lead levels are not reflective of volumes that can be expected to be recovered and are therefore not shown in the NSAI report.

The Prospective Resources shown in Table 4 have been determined by NSAI using probabilistic methods and are dependent on a CSG discovery being made. If a discovery is made and development is undertaken, the probability that the recoverable volumes will equal or exceed the unrisked estimated amounts is 90 percent for the low estimate, 50 percent for the best estimate, and 10 percent for the high estimate. The risky 1U, 2U, and 3U Prospective Resources have been aggregated by arithmetic summation; therefore, these totals do not include the portfolio effect that might result from statistical aggregation.

Further exploration wells are planned in 2023 along with additional seismic 2D data acquisition, all of which will be aimed at converting more of the Prospective Resources to Contingent Resources over the coming years. The Chance of Development has not been applied to the resources included in Table 3 and is estimated at 50% by the Company.

### **Talon Energy Farmout Agreement**

The initial exploration program was primarily funded pursuant to a farmout agreement with ASX-listed Talon Energy Limited (ASX:TPD) (Talon) which required Talon to spend US\$4.65 million to earn a 33% interest in the Project via a two-stage farm-in (Farmout Agreement). TMK is the Operator under the terms of the Farmout Agreement.

The Farmout Agreement required Talon to fund 100% of the costs of an agreed budget for an initial work program up to an amount of US\$1.5 million. Upon completion of this initial stage and the certification of the 2C Contingent Resource of 1.2TCF, Talon made its election to proceed with Stage 2 of the farm-in agreement in December 2022. Stage 2 is a Pilot Well Program that involves drilling three appraisal production wells. The total cost of the Pilot Well Program is expected to be approximately US\$3.5 million, of which the first US\$3.15 million is paid by Talon and the balance is split pro rata according to TMK and Talon's interest in the Project (67%/33% respectively).

Following completion of the first and second stage of the exploration program, TMK will be required to contribute 67% of the costs towards any subsequent work programs and will retain a 67% Working Interest in the PSA, with Talon having the remaining 33% Working Interest.

In addition and pursuant to the farm-in agreement, Talon was required to make a payment of US\$809,333 in consideration of the 1.2 TCF (2C) Contingent Resource certified pursuant to the initial exploration program. The maximum amount payable under the farmout agreement was US\$1M for a 2C Contingent Resource of up to or greater than 1.5TCF.

## OPERATION REPORT

### ***Napoleon Prospect (Australia)***

Napoleon is located in the Dampier basin, North-West Shelf. TMK holds the right to a 20% working interest in Napoleon comprising production licence WA-8-L at depths below 2,700m. No significant work has been undertaken by the operator of the Napoleon Prospect during the six months ended 31 December 2022.

### ***West Klondike Project (USA)***

TMK retains a small interest in this project and is seeking to dispose of its interest in the short to medium term as the project is no longer material to the Company.



**Figure 4: CEO Brendan Stats onsite at the Gurvantes XXXV Project**



## DIRECTOR'S REPORT

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'Group') consisting of TMK Energy Limited (referred to hereafter as the 'Company' or 'parent entity') and the entities it controlled at the end of, or during, the six months ended 31 December 2022.

The Company acquired Telmen Energy Limited ('Telmen') during the 12 months ended 30 June 2022. Prior to the acquisition of Telmen by the Company, also in the year ended 30 June 2022, Telmen acquired Telmen Resource JSC ('TRJ'). Both acquisitions have been accounted for using the reverse acquisition accounting methodology and the comparative financial report ending 30 June 2022 has been prepared on that basis.

### Directors

The names and details of the Company's Directors in office at any time during the financial period and until the date of this report (unless otherwise stated) are detailed below.

- Brett Lawrence – Non Executive Director
- Tim Wise – Non Executive Director
- Gema Gerelsaikhan – Non Executive Director
- Stuart Baker – Non Executive Director
- Prof. John Warburton – Non-Executive Director (appointed 7 March 2023)

### Principal Activities

The principal activity of the Group during the financial period was the oil and gas exploration in the Gurvantes XXXV Coal Seam Gas Project in the South Gobi Basin of Mongolia.

There were no changes in the nature of the activities of the group during the year.

### Change in financial year end

The Group has changed its financial year end from 30 June to 31 December. The current period figures relate to six months from 1 July 2022 to 31 December 2022. The comparative amounts disclosed in the financial report and related notes are not comparable as the lengths of the periods differ by six months. The change had been made to align the financial year end of the Group with the Company's Mongolian subsidiary, TRJ.

The accounting policies have been consistently applied, unless otherwise stated.

### Review of Operations

For information on a review of the Group's operations refer to Operations Review contained on page 3 to 9 of this report.

### Operating Results and Financial Position

The Company had a closing cash balance of \$2,681,265 at 31 December 2022 (30 June 2022: \$3,607,909)

The net operating loss for the Group for the 6 months ended 31 December 2022 after income tax amounted to \$1,801,013 (12 months ended 30 June 2022: \$9,949,720).

### Dividends Paid or Recommended

No dividend was paid or declared during the period and the Directors do not recommend the payment of a dividend (30 June 2022: Nil).

### Significant Changes in the State of Affairs

The Company has changed its financial year end from 30 June to 31 December.

There were no other significant changes in the state of affairs of the Group during the 6 months ended 31 December 2022 other than already disclosed.

### Likely developments and expected results of operations

There were no likely developments in the operations of the Group that were not finalised at the date of this report.

This report is made in accordance with a resolution of directors.



## DIRECTOR'S REPORT

### Environmental Regulations

The consolidated entity's operations are subject to environmental regulations under either Mongolian, United States and Australian Commonwealth and State legislation. The Board believes there are adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply.

### NGER Act

The Directors consider the National Greenhouse and Energy Reporting Act 2007 (the NGER Act) which introduces a single national reporting framework for the reporting and dissemination of information about the greenhouse gas emissions, greenhouse gas projects, and energy use and production of corporations. At the current stage of development, the Directors have determined that the NGER Act will have no effect on the Company for the current nor subsequent financial year. The Directors will reassess this position as and when the need arises.

### Corporate Governance

The Company's Corporate Governance Statement and ASX Appendix 4G are released to ASX on the same day the Annual Report is released. TMK Energy Limited's Corporate Governance Statement, and the Company's Policies, Charters and Procedures, can be all found on the Company's website at <http://tmkenergy.com.au/display/index/corporate-governance>

### Information on Directors and Secretary

Names, qualifications, experience and special responsibilities of current directors and company secretary:

<b>Name:</b>	<b>Brett Lawrence</b>
<b>Title:</b>	<b>Non-Executive Director (Appointed 1 February 2015)</b>
Experience and expertise:	Mr Lawrence has 17 years of diverse experience in the oil and gas industry. Mr Lawrence worked with Apache Energy for over eight years, performing roles in drilling engineering, reservoir engineering, project development and commercial management before seeking new venture opportunities with ASX listed companies. Brett holds a Master of Petroleum Engineering, a Bachelor of Engineering (Mining) and Bachelor of Commerce (Finance) from Curtin University in Western Australia.
Current directorships:	None
Former directorships (last 3 years):	Calima Energy Ltd (ASX: CE1) Sparc Technologies Ltd (ASX:SPN) (formerly Acacia Coal Ltd)
<b>Name:</b>	<b>Gema Gerelsaikhan</b>
<b>Title:</b>	<b>Non-Executive Director (Appointed 15 February 2022)</b>
Experience and expertise:	Ms Gerelsaikhan has more than 10+ years of experience in investment, marketing/communications and business development in mining, technology, real estate and hospitality sectors. Currently, she's Managing Partner at Exponential Zaisan Partners, a seed stage Mongolia focused VC fund and Founding Partner at Exponential Partners. Previously, she was Director of Communications / Marketing at Shangri-La Hotel, Ulaanbaatar. She also headed the Singapore and Hong Kong offices of Asia Pacific Investment Partners (APIP) as Chief Marketing & Business Development Officer. Prior to joining APIP, Ms Gerelsaikhan was Business Analyst at SouthGobi Resources, a TSX & HKEx listed coal mining company (TSX: SGQ & HKEx: 1878).
	She is a founding member of both Mongolian Chamber of Commerce in Hong Kong, as well as Mongolian Chamber of Trade and Commerce in Singapore (currently serving as President). She holds Master's and Bachelor's degree in Economics and Business Administration from Roskilde University in Denmark.
Current directorships:	None
Former directorships (last 3 years):	None

## DIRECTOR'S REPORT

<b>Name:</b>	<b>Stuart Baker</b>
<b>Title:</b>	<b>Non-Executive Director (Appointed 15 February 2022)</b>
Experience and expertise:	Mr Baker has more than four decades of experience in the oil and gas sector and currently provides independent advice to corporates and investors in the Australian oil and gas industry. Previously he was Executive Director, Morgan Stanley with dual roles as Co-Head Asia Oil, Gas and Chemicals Research and team leader, Australian energy, mining and utility research, with positions held over a 13-year period. He has a Bachelor of Engineering and holds an MBA from the Melbourne University Graduate School of Management.  He also worked as a Petrophysical Engineer at Schlumberger Inc. based in Southeast Asia, rising to General Field Engineer. Mr Baker is currently a member of the investment committee of resource focused ASX listed Lowell Resources Fund (ASX:LRT). Mr Baker was a director of Central Petroleum Limited (ASX:CTP) from 7 December 2018 until 30 August 2022.
Current directorships:	None
Former directorships (last 3 years):	Central Petroleum Ltd (ASX: CPL)
<b>Name:</b>	<b>Tim Wise</b>
<b>Title:</b>	<b>Non-Executive Director (Appointed 4 November 2019)</b>
Experience and expertise:	Mr Wise (BSc) is a corporate executive with 25+ years experience in the growth of early stage public and private businesses, providing strategic advice to a broad range energy and industrial related companies. Mr Wise is the founder and former CEO of The Tap Doctor, and Kalina Power (ASX:KPO).  He is a director of entX Limited (appointed February 2019) and Environmental Clean Technologies Limited (ASX:ECT) (appointed September 2021)
Current directorships:	entX Limited (appointed February 2019) Environmental Clean Technologies Limited (ASX:ECT) (appointed September 2021)
Former directorships (last 3 years):	Graft Polymer (UK) Plc (LSE:GPL)
<b>Name:</b>	<b>Prof. John Warburton</b>
<b>Title:</b>	<b>Non-Executive Director (Appointed 3 March 2023)</b>
Experience and expertise:	Prof. Warburton brings extensive ASX-listed company experience together with outstanding technical credentials gained through his time working with internationally recognised companies, including Super-Majors, in various roles and locations throughout the world.  Prof. Warburton is a currently a Visiting Professor in School of Earth and Environment at Leeds University in the United Kingdom. He previously served as a non-executive director of Senex Energy Limited in the six years before its takeover by POSCO/Hancock Prospecting and was also Chief of Geoscience & Exploration Excellence at Oil Search Limited from 2015 to 2018.
Current directorships:	Empire Energy Group Limited (appointed February 2019)
Former directorships (last 3 years):	Senex Energy Limited (ASX:SXY)
<b>Name:</b>	<b>Dougal Ferguson</b>
<b>Title:</b>	<b>Company Secretary (Appointed 1 April 2022)</b>
Experience and expertise:	Mr Ferguson holds a Bachelor of Business and is an experienced oil and gas executive with substantial international experience and is the former Managing Director of several ASX listed oil and gas exploration companies including XCD Energy Limited (ASX:XCD) and Elixir Energy Limited (ASX:EXR).

## DIRECTOR'S REPORT

Dougal is a Graduate of the Australian Institute of Company Directors and has previously qualified through the Governance Institute of Australia and has completed his Certified Practising Accountant qualifications

### Meetings of Directors

The numbers of meetings attended by each director to the report date were:

Director	Board Meetings Held When in Office	Board Meetings Attended
Brett Lawrence	3	3
Tim Wise	3	3
Gema Gerelsaikhan	3	3
Stuart Baker	3	3
Prof. John Warburton (appointed 7 March 2023)	-	-

### Securities held and controlled by Directors

As at the date of this report, the interests of the Directors in shares and options of the Company were:

#### Ordinary Shares

Holder	Balance at beginning of period	Issued on conversion of performance rights	Other changes during the year <sup>(1)</sup>	Balance at the date of report
Brett Lawrence	1,875,000	-	-	1,875,000
Gema Gerelsaikhan	11,000,000	15,000,000	5,000,000	31,000,000
Stuart Baker	5,500,000	10,000,000	2,500,000	18,000,000
Tim Wise	22,500,000	-	-	22,500,000
Prof. John Warburton (appointed 7 March 2023)	-	-	-	-
	<b>40,875,000</b>	<b>25,000,000</b>	<b>7,500,000</b>	<b>73,375,000</b>

<sup>(1)</sup> Other changes include shares that were converted from Tranche A Performance Shares and Tranche C Performance Shares that were acquired through the acquisition of Telmen Energy Limited.

### REMUNERATION REPORT (AUDITED)

The information provided in this remuneration report has been audited as required by section 308(3C) of the Corporation Act 2001.

This report outlines the remuneration arrangements in place for directors and executives of TMK Energy Limited. This report has been set out under the following main headings:

- A. Principles Used to Determine the Nature and Amount of Remuneration
- B. Remuneration Consultants
- C. Service Agreements
- D. Details of Remuneration
- E. Share-based Compensation
- F. Group Performance
- G. Equity instruments held by key management personnel
- H. Loans to key management personnel
- I. Other transactions with key management personnel
- J. Additional Information

As noted in the corporate governance, section of this Financial Report, under council principle 8, the Company is not currently of a size, nor are its affairs of such complexity to justify the formation of a remuneration committee. The Board manages the remuneration policy, setting the terms and conditions for Executive Directors and other senior executives.

## DIRECTOR'S REPORT

### A. Principles Used to Determine the Nature and Amount of Remuneration

The Board of Directors is responsible for determining and reviewing compensation arrangements for the Directors and Executive Officers. The Board will assess the appropriateness of the nature and amount of emoluments of such officers on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high-quality Board and executive team.

The objective of the Group's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms with market best practice for delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

- Competitiveness and reasonableness
- Acceptability to shareholders
- Performance linkage/alignment of executive compensation
- Transparency
- Capital management

The Board policy is to remunerate Non-Executive Directors at fair market rates for comparable companies for the relevant time, commitment and responsibilities. The Board determines payments to the Non-Executive Directors and reviews their remuneration annually based on market practice, duties and accountability. The maximum amount of fees that can be paid to directors is subject to approval by shareholders at the Annual General Meeting. The maximum amount approved is \$300,000. Fees for Non-Executive Directors are not linked to the performance of the Group. However, to align director's interests with shareholder interests the Directors are encouraged to hold shares in the Company and may be issued with additional securities as deemed appropriate.

The Board believes that the remuneration policy is appropriate given the stage of development of the Company and the activities which it undertakes and is appropriate for aligning director and executive objectives with shareholder and business objectives. The Board will continually develop new practices which are appropriate to the Company's size and stage of development.

All contracts with non-executive directors have no termination date, benefits or notice period noted.

Executive Officers are those directly accountable for the operational management and strategic direction of the Company and the consolidated entity. The Company currently has a Chief Operating Officer and a Chief Commercial Officer both of whom have Service Agreements in place. The details of these Service Agreements are noted below.

#### **Fixed Remuneration**

Fixed remuneration consists of a base remuneration package, which includes directors' fees (in the case of Directors), salaries, consulting fees and employer contributions to superannuation funds.

Fixed remuneration levels for directors and executive officers will be reviewed annually by the Board through a process that considers the employee's personal development, achievement of key performance objectives for the year, industry benchmarks wherever possible and CPI data.

#### **Performance-linked Remuneration**

All employees may receive bonuses and/or equity incentive securities based on achievement of specific goals related to performance against individual KPIs and to the performance of the Company as a whole as determined by the Directors, based on a range of factors. These factors include traditional financial considerations such as operating performance, share price performance and deals concluded. They also include industry-specific factors relating to the advancement of the Company's activities and relationships with third parties and internal employees.

During the year ended 30 June 2022, 210,000,000 Performance Rights were issued associated with the acquisition of Telmen. Of these, 100,000,000 were issued to key management personnel (refer to paragraph E of the Remuneration Report) with the remainder issued to other employees or consultants of the Group. 1,250,000 of the Performance Rights were cancelled due to employees either resigning or their employment being terminated prior to 30 June 2022.

During the 6 months ended 31 December 2022, all of the performance rights vested and 6,250,000 of the Performance Rights were cancelled due to employees either resigning or their employment being terminated prior to 30 June 2022.

### B. Remuneration Consultants

The Company did not engage with remuneration consultants during the year.



## DIRECTOR'S REPORT

### C. Service Agreements

Remuneration, consulting and other terms of employment for the key management personnel are determined by the Board. Other current provisions are set out below.

Key Management Personnel	Details of service agreements
Mr Brett Lawrence Non-Executive Director	<ul style="list-style-type: none"> <li>Agreement commenced 1 February 2015 with no termination date, benefits or notice period noted.</li> <li>Directors' fees reduced from \$60,000 per annum to \$36,000 per annum on 15 February 2022.</li> </ul>
Mr Tim Wise Non-Executive Director	<ul style="list-style-type: none"> <li>Agreement commenced 4 November 2019 with no termination date, benefits or notice period noted.</li> <li>Directors' fees reduced from \$60,000 per annum to \$36,000 per annum on 15 February 2022.</li> </ul>
Mr Gema Gerelsaikhan Non-Executive Director	<ul style="list-style-type: none"> <li>Agreement commenced 15 February 2022 with no termination date, benefits or notice period noted.</li> <li>Directors' fees \$36,000 per annum.</li> </ul>
Mr Stuart Baker Non-Executive Director	<ul style="list-style-type: none"> <li>Agreement commenced 15 February 2022 with no termination date, benefits or notice period noted.</li> <li>Director's fees of \$36,000 per annum.</li> </ul>
Prof. John Warburton	<ul style="list-style-type: none"> <li>Agreement commenced 7 March 2023 with no termination date, benefits or notice period noted.</li> <li>Director's fees of \$36,000 per annum.</li> </ul>
Mr Brendan Stats Chief Executive Officer	<ul style="list-style-type: none"> <li>Agreement commenced on 15 February 2022 with no termination date, and a 3 month notice period.</li> <li>Annual salary of \$250,000 per year plus statutory superannuation.</li> </ul>
Mr Dougal Ferguson Chief Commercial Officer and Company Secretary (from 1 April 2022)	<ul style="list-style-type: none"> <li>Agreement commenced on 15 February 2022 on a 12-month fixed term contract.</li> <li>Monthly retainer of \$15,000 per month plus \$1,500 per day for any additional days worked during any one month.</li> </ul>

No termination payments were made during the financial year.

### D. Details of Remuneration

The key management personnel of the Company during the year ended 30 June 2022 includes all directors and executives mentioned above. There are no other executives of the company which are required to be disclosed.

Remuneration packages contain the following key elements:

- Primary benefits – salary/fees and bonuses;
- Post-employment benefits – including superannuation;
- Equity – performance rights and other equity securities; and
- Other benefits.

## DIRECTOR'S REPORT

Nature and amount of remuneration for the 6 months ended 31 December 2022:

	Short-term employee benefits		Post- Employment Benefits	Share-based payment		
	Salary, consulting fees AU\$	Annual Leave AU\$	Super- annuation AU\$	Performance Rights AU\$	Total AU\$	Performance related %
<b>Non-executive Directors</b>						
Brett Lawrence	18,000	-	-	49,182	67,182	73.2
Tim Wise	18,000	-	-	-	18,000	0.0
Gema Gerelsaikhan	18,000	-	-	73,774	91,774	80.4
Stuart Baker	18,000	-	-	49,182	67,182	73.2
Prof. John Warburton <sup>(1)</sup>	-	-	-	-	-	-
<b>Total Director</b>	<b>72,000</b>	<b>-</b>	<b>-</b>	<b>172,138</b>	<b>244,138</b>	<b>70.5</b>
<b>Key Management Personnel</b>						
Brendan Stats	125,000	9,191	12,646	172,138	318,975	54.0
Dougal Ferguson	157,875	-	-	147,547	305,422	48.3
<b>Total Key Management Personnel</b>	<b>282,875</b>	<b>9,191</b>	<b>12,646</b>	<b>319,685</b>	<b>624,397</b>	<b>51.2</b>
<b>Total Compensation</b>	<b>354,875</b>	<b>9,191</b>	<b>12,646</b>	<b>491,823</b>	<b>868,535</b>	<b>56.6</b>

<sup>(1)</sup> Appointed 7 March 2023

Nature and amount of remuneration for the 12 months ended 30 June 2022:

	Short-term employee benefits		Post- Employment Benefits	Share-based payment		
	Salary, consulting fees AU\$	Annual Leave AU\$	Super- annuation AU\$	Performance Rights AU\$	Total AU\$	Performance related %
<b>Non-executive Directors</b>						
Brett Lawrence <sup>(1)</sup>	51,000	-	-	60,596	111,596	54.3
Logan Robertson <sup>(2)</sup>	10,500	-	-	-	10,500	-
Tim Wise	50,750	-	-	-	50,750	-
Gema Gerelsaikhan <sup>(3)</sup>	12,000	-	-	90,893	102,893	88.3
Stuart Baker <sup>(3)</sup>	13,500	-	-	60,596	74,096	81.8
<b>Total Director</b>	<b>137,750</b>	<b>-</b>	<b>-</b>	<b>212,085</b>	<b>349,835</b>	<b>60.6</b>
<b>Key Management Personnel</b>						
Brendan Stats <sup>(3)</sup>	94,494	7,268	9,091	212,085	322,938	65.7
Dougal Ferguson <sup>(3)</sup>	80,250	-	-	181,787	262,037	69.4
Sylvia Moss <sup>(4)</sup>	27,000	-	-	-	27,000	-
<b>Total Key Management Personnel</b>	<b>201,744</b>	<b>7,268</b>	<b>9,091</b>	<b>393,938</b>	<b>611,975</b>	<b>64.4</b>
<b>Total Compensation</b>	<b>339,494</b>	<b>7,268</b>	<b>9,091</b>	<b>605,956</b>	<b>961,809</b>	<b>63.0</b>

<sup>(1)</sup> Resigned as Managing Director on 15 February 2022

<sup>(2)</sup> Resigned 15 February 2022

<sup>(3)</sup> Appointed 15 February 2022

<sup>(4)</sup> Resigned 1 April 2022

## DIRECTOR'S REPORT

### E. Share based compensation

#### Options

No new options were issued to key management personnel or to any of their associates during the year.

#### Performance Rights

The number of performance rights granted to Directors and other key management personnel as part of compensation during the 6 months ended 31 December 2022 are set out below:

Holder	Number granted during the 6 months ended	Number granted during the 12 months ended	Number vested during the 6 months ended	Number vested during the 12 months ended
	31 Dec 2022	30 Jun 2022	31 Dec 2022	30 Jun 2022
Brett Lawrence	-	10,000,000	10,000,000	-
Tim Wise	-	-	-	-
Gema Gerelsaikhan	-	15,000,000	15,000,000	-
Stuart Baker	-	10,000,000	10,000,000	-
Prof. John Warburton <sup>(1)</sup>	-	-	-	-
Brendan Stats	-	35,000,000	35,000,000	-
Dougal Ferguson	-	30,000,000	30,000,000	-
	-	100,000,000	100,000,000	-

<sup>(1)</sup> Appointed 7 March 2023

The above Performance Rights are split between the three classes below on a percentage basis, being 37.5% are Class A, 37.5% are Class B and the remaining 25% are Class C Performance Rights. The Performance Right convert into fully paid ordinary shares upon meeting the following performance conditions:

Class	Performance Conditions	Expiry Date
Class A	Both of the following occurring: <ul style="list-style-type: none"> <li>The volume-weighted average price ('VWAP') of TMK shares over 20 consecutive trading days being at least \$0.02; and</li> <li>Commencement of a drilling program within the Gurvantes XXXV area within three years from the date of issue.</li> </ul>	14 February 2025
Class B	Vest upon either of the following occurring: <ul style="list-style-type: none"> <li>Intersection of 25m of coal seams in any two of the first four wells within the Gurvantes XXXV Project area; or</li> <li>100 billion cubic feet of 2C (best estimate of contingent resources) Petroleum Resources Management System ('PRMS') compliant resource within the Gurvantes XXXV Project area.</li> </ul>	14 February 2027
Class C	Determination of a 100 billion cubic feet 2C PRMS compliant resource within the Gurvantes XXXV Project Area	14 February 2027

## DIRECTOR'S REPORT

### F. Group Performance

At present, no remuneration for key management personnel is directly linked to common financial measures of the Group's performance.

The table below shows various commonly used measures of performance for the 2018 to 2022 financial years:

	6 months ended 31 Dec 2022 \$	12 months ended 30 Jun 2022 \$	2021 <sup>(1)</sup> \$	2020 <sup>(1)</sup> \$	2019 <sup>(1)</sup> \$
Revenues and finance income	8,242	530,329	11,065	24,945	39,915
(Loss) after tax	(1,801,013)	(9,949,720)	(574,165)	(1,095,863)	(209,387)
Share price at start of year	0.009	0.008	0.005	0.003	0.003
Share price at end of year	0.015	0.009	0.008	0.005	0.001
Loss per share (cents)	(0.05)	(0.38)	(0.06)	(0.16)	(0.04)

<sup>(1)</sup> Results for the year 2019 to 2021 is reflective of legal parents results prior to the reverse acquisition of TRJ and Telmen Resources.

### G. Equity instruments held by key management personnel

#### Shareholdings:

The number of ordinary shares in the company held by each KMP of the Group during the financial year is as follows:

Holder	Balance at beginning of year	Granted as remuneration during the year	Issued on conversion of performance rights during the year	Other changes during the period <sup>(2)</sup>	Balance at end of year
Brett Lawrence	1,875,000	-	-	-	<b>1,875,000</b>
Tim Wise	22,500,000	-	-	-	<b>22,500,000</b>
Gema Gerelsaikhan	11,000,000	-	15,000,000	5,000,000	<b>31,000,000</b>
Stuart Baker	5,500,000	-	10,000,000	2,500,000	<b>18,000,000</b>
Prof. John Warburton <sup>(1)</sup>	-	-	-	-	-
Brendan Stats	198,000,000	-	-	90,000,000	<b>288,000,000</b>
Dougal Ferguson	117,990,000	-	30,000,000	47,950,000	<b>195,940,000</b>
	<b>356,865,000</b>	-	<b>55,000,000</b>	<b>145,450,000</b>	<b>557,315,000</b>

<sup>(1)</sup> Appointed 7 March 2023

<sup>(2)</sup> Other changes include shares that were converted from Tranche A Performance Shares and Tranche C Performance Shares that were acquired through the acquisition of Telmen Energy Limited.



## DIRECTOR'S REPORT

### Performance rights:

The number of performance rights in the company held by each KMP of the Group during the financial period is as follows:

Holder	Balance at beginning of year	Granted as remuneration during the year	Exercised	Expired/ Forfeited/ Other	Balance at end of year
Brett Lawrence	10,000,000	-	-	-	10,000,000 <sup>(2)</sup>
Tim Wise	-	-	-	-	-
Gema Gerelsaikhhan	15,000,000	-	(15,000,000)	-	-
Stuart Baker	10,000,000	-	(10,000,000)	-	-
Prof. John Warburton <sup>(1)</sup>	-	-	-	-	-
Brendan Stats	35,000,000	-	-	-	35,000,000 <sup>(2)</sup>
Dougal Ferguson	30,000,000	-	(30,000,000)	-	-
	<b>100,000,000</b>	<b>-</b>	<b>(55,000,000)</b>	<b>-</b>	<b>45,000,000</b>

<sup>(1)</sup> Appointed 7 March 2023

<sup>(2)</sup> Performance rights have vested but not exercised and remained outstanding at 31 December 2022.

### Performance shares:

The number of performance shares in the company held by each KMP of the Group during the financial year is as follows:

Holder	Balance at beginning of year	Acquired during the year	Vested	Expired/ Forfeited/ Other	Balance at end of year
Brett Lawrence	-	-	-	-	-
Tim Wise	-	-	-	-	-
Gema Gerelsaikhhan	5,000,000	-	(5,000,000)	-	-
Stuart Baker	2,500,000	-	(2,500,000)	-	-
Prof. John Warburton <sup>(1)</sup>	-	-	-	-	-
Brendan Stats	90,000,000	-	(90,000,000)	-	-
Dougal Ferguson	47,950,000	-	(47,950,000)	-	-
	<b>145,450,000</b>	<b>-</b>	<b>(145,450,000)</b>	<b>-</b>	<b>-</b>

<sup>(1)</sup> Appointed 7 March 2023

### H. Loans to key management personnel

No loans were provided to the key management personnel or to any of their associates.

### I. Other transactions with key management personnel

There were no other transactions with key management personnel during the financial period.

### Voting and comments made at the Company's 30 June 2022 Annual General Meeting

TMK received 100% of "yes" votes (excluding Director's votes) on its remuneration report for the 12 months ended 30 June 2022. The Company did not receive any specific feedback at the AGM or throughout the year on its remuneration practices.

### END OF AUDITED REMUNERATION REPORT

### Shares under option

At the date of this report there were 75,000,000 unlisted options over unissued ordinary shares which vest when the share weighted average share price of the Company is equal or greater than \$0.02 for any 20 consecutive day period. The options have an exercise price of \$0.008 and expire on 14 February 2025.

## DIRECTOR'S REPORT

### Indemnification and Insurance of Directors and Officers

During the financial period, the Company maintained an insurance policy which indemnifies the Directors and Officers of TMK Energy Limited in respect of any liability incurred in connection with the performance of their duties as Directors or Officers of the Company. The Company's insurers have prohibited disclosure of the amount of the premium payable and the level of indemnification under the insurance contract.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of entities in the group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty or the improper use of position or information to gain advantage for themselves or someone else or to cause detriment to the Company.

### Indemnification and Insurance of the Auditor

The Company has not, during or since the end of the financial period, indemnified or agreed to indemnify the auditor of the Company or any related entity against a liability incurred by the auditor.

During the financial period, the Company has not paid a premium in respect of a contract to insure the auditor of the Company or any related party.

### Non-audit Services

There were no non-audit services provided during the financial year by the BDO Audit (WA) Pty Ltd and its related practices.

### Auditor's Independence Declaration

The Auditor's Independence Declaration, as required under Section 307c of the Corporations Act 2001, for the financial period ended 31 December 2022 has been received and can be found on page 22.

### Proceedings on behalf of the Company

No person has applied to the Court under section 237 of the Corporation Act 2001 for leave to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under section 237 of the Corporation Act 2001.

### Events since the end of the financial year

On 7 March 2023, Professor John Warburton was appointed as Non-Executive Director of the Company.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.



Brett Lawrence  
Director  
Perth, Western Australia  
31 March 2023

## Auditor's Independence Declaration



Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
[www.bdo.com.au](http://www.bdo.com.au)

Level 9, Mia Yellagonga Tower 2  
5 Spring Street  
Perth, WA 6000  
PO Box 700 West Perth WA 6872  
Australia

### DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF TMK ENERGY LIMITED

As lead auditor of TMK Energy Limited for the period ended 31 December 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of TMK Energy Limited and the entities it controlled during the period.

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a light blue horizontal line.

**Dean Just**

**Director**

**BDO Audit (WA) Pty Ltd**

Perth

31 March 2023

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the period ended 31 December 2022

		Consolidated	
		6 months ended 31 Dec 22	12 months ended 30 Jun 22
	Notes	\$	\$
<b>Revenue</b>			
Other Income		-	528,051
Interest income		8,242	2,278
<b>Total revenue</b>		<b>8,242</b>	<b>530,329</b>
Accounting and audit fees		(140,299)	(33,185)
Directors' fees		(72,000)	(53,500)
Professional and consultancy fees		(165,278)	(311,767)
Regulatory expenses		(81,573)	(34,562)
Listing expense		-	(7,533,285)
Share of loss of associate		(87)	-
Share based payments expense	18	(961,681)	(2,191,288)
Depreciation expense		(1,135)	(7,033)
Office and administrative expenses	5	(338,186)	(312,137)
<b>Loss of operating activities</b>		<b>(1,751,997)</b>	<b>(9,946,428)</b>
Foreign exchange losses		(49,016)	(3,292)
<b>Loss before tax</b>		<b>(1,801,013)</b>	<b>(9,949,720)</b>
Income tax expense	6	-	-
<b>Loss for the year after income tax</b>		<b>(1,801,013)</b>	<b>(9,949,720)</b>
<b>Other comprehensive income for the period</b>			
<b>Items that may be reclassified to profit or loss</b>			
Exchange differences on the translation of foreign operations		36,410	34,523
<b>Other comprehensive income for the period, net of tax</b>		<b>36,410</b>	<b>34,523</b>
<b>Total comprehensive loss for the period</b>		<b>(1,764,603)</b>	<b>(9,915,197)</b>
<b>Loss attributed to:</b>			
Owners of TMK Energy Limited		(1,801,013)	(9,949,720)
<b>Total comprehensive loss for the period attributable to:</b>			
Owners of TMK Energy Limited		(1,764,603)	(9,915,197)
Loss per share for loss from continuing operations attributed to the ordinary equity holders of the Company:			
Basic loss per share/diluted loss per share (cents per share)	17	(0.05)	(0.38)

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.



## Consolidated Statement of Financial Position

As at 31 December 2022

		Consolidated	
	Notes	31 Dec 22 \$	30 Jun 22 \$
<b>Current assets</b>			
Cash and cash equivalents	7	2,681,265	3,607,909
Trade and other receivables	8	57,633	36,551
Other current assets		119,257	141,466
<b>Total current assets</b>		<b>2,858,155</b>	<b>3,785,926</b>
<b>Non-current assets</b>			
Investment in Associate (Talisman Project)	9	449,913	450,000
Property, Plant and Equipment	10	184,830	120,993
Oil and gas properties	11	44,553	44,037
Exploration and evaluation assets	12	537,425	632,999
<b>Total non-current assets</b>		<b>1,216,721</b>	<b>1,248,029</b>
<b>Total assets</b>		<b>4,074,876</b>	<b>5,033,955</b>
<b>Current liabilities</b>			
Trade and other payables	13	317,700	470,457
Provisions		15,514	19,000
<b>Total Current liabilities</b>		<b>333,214</b>	<b>489,457</b>
<b>Non-current Liabilities</b>			
Restoration Provision		38,322	38,236
<b>Total non-current liabilities</b>		<b>38,322</b>	<b>38,236</b>
<b>Total liabilities</b>		<b>371,536</b>	<b>527,693</b>
<b>Net assets</b>		<b>3,703,340</b>	<b>4,506,262</b>
<b>Equity</b>			
Issued share capital	14	12,804,079	12,804,079
Share based payment reserve	15	2,752,969	1,791,288
Foreign currency translation reserve	15	70,933	34,523
Accumulated losses	16	(11,924,641)	(10,123,628)
<b>Total equity</b>		<b>3,703,340</b>	<b>4,506,262</b>

The above consolidated statement of financial position should be read in conjunction with the notes to the financial statements.

## Consolidated Statement of Changes in Equity

For the period ended 31 December 2022

	Issued Share capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2022</b>	<b>12,804,079</b>	<b>1,791,288</b>	<b>34,523</b>	<b>(10,123,628)</b>	<b>4,506,262</b>
Currency translation of foreign operations	-	-	36,410	-	36,410
Loss after tax	-	-	-	(1,801,013)	(1,801,013)
<b>Total comprehensive income/(loss) for the period</b>	<b>-</b>	<b>-</b>	<b>36,410</b>	<b>(1,801,013)</b>	<b>(1,764,603)</b>
<b>Transactions with equity holders in their capacity as equity holders</b>					
Share Based Payments	-	961,681	-	-	961,681
<b>Balance at 31 December 2022</b>	<b>12,804,079</b>	<b>2,752,969</b>	<b>70,933</b>	<b>(11,924,641)</b>	<b>3,703,340</b>

	Issued Share capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	<b>68,666</b>	<b>-</b>	<b>-</b>	<b>(173,908)</b>	<b>(105,242)</b>
Currency translation of foreign operations	-	-	34,523	-	34,523
Loss after tax	-	-	-	(9,949,720)	(9,949,720)
<b>Total comprehensive income/(loss) for the year</b>	<b>-</b>	<b>-</b>	<b>34,523</b>	<b>(9,949,720)</b>	<b>(9,915,197)</b>
<b>Transactions with equity holders in their capacity as equity holders</b>					
Issue of share capital	2,632,962	-	-	-	2,632,962
Capital Raising Costs	(107,800)	-	-	-	(107,800)
Conversion of Convertible Notes	789,750	-	-	-	789,750
Shares Issued to acquire Telmen	8,865,000	-	-	-	8,865,000
Share Based Payments	555,501	1,791,288	-	-	2,346,789
<b>Balance at 30 June 2022</b>	<b>12,804,079</b>	<b>1,791,288</b>	<b>34,523</b>	<b>(10,123,628)</b>	<b>4,506,262</b>

The consolidated statement of changes in equity should be read in conjunction with the notes to the financial statements.

## Consolidated Statement of Cash Flows

For the period ended 31 December 2022

Consolidated			
		6 months ended 31 Dec 22	12 months ended 30 Jun 22
	Notes	\$	\$
<b>Cash flows from operating activities</b>			
Interest received		8,242	2,278
Payments to suppliers and employees (inclusive of GST)		(961,332)	(700,681)
GST Refunds		40,747	61,130
<b>Net cash and cash equivalents outflow from operating activities</b>	20	<b>(912,243)</b>	<b>(637,273)</b>
<b>Cash flows from investing activities</b>			
Back costs from farm-in partner		-	362,700
Contributions from farm-in partner		238,572	2,151,620
Bonus from farm-in partner		1,210,046	-
Loans repaid to related parties		-	(248,060)
Exploration costs on oil and gas activities		(1,499,429)	(2,128,673)
Cash on acquisition of Telmen Energy Limited		-	174,973
Cash on acquisition of TMK Energy Limited		-	1,803,901
<b>Net cash and cash equivalents inflow/(outflow) from investing activities</b>		<b>(50,811)</b>	<b>2,116,461</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares and options		-	2,233,750
Capital raising cost		-	(107,800)
<b>Net cash and cash equivalents inflow from financing activities</b>		<b>-</b>	<b>2,125,950</b>
<b>Net increase/(decrease) in cash held</b>		<b>(963,054)</b>	<b>3,605,138</b>
Cash and cash equivalents at beginning of financial period		3,607,909	4,678
Foreign exchange movement on cash		36,410	(1,907)
<b>Cash and cash equivalents at end of period</b>	7	<b>2,681,265</b>	<b>3,607,909</b>

The above consolidated statement of cash flows should be read in conjunction with the notes to the financial statements.

## DIRECTOR'S REPORT

### Notes to the Consolidated Financial Statements

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements and notes represent those of TMK Energy Limited ("TMK" or the "Company") (formerly Tamaska Oil and Gas Limited) and its controlled entities (the "Group").

The financial statements were authorised for issue by the Board of Directors on 31 March 2023.

The principal accounting policies adopted in the presentation of these consolidated financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

##### (a) Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. TMK Energy Limited is a for-profit entity for the purposes of preparing these financial statements.

##### i) Compliance with IFRSs

The consolidated entity financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

##### ii) Historical Cost Convention

These consolidated financial statements have been prepared under the historical cost convention.

##### iii) Critical Accounting Estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

##### iv) Early Adoption on Standards

The Group has not elected to apply any pronouncements before their operative date for the annual reporting period ended 31 December 2022.

##### v) Change in financial year end

The Group has changed its financial year end from 30 June to 31 December. The current period figures relate to six months from 1 July 2022 to 31 December 2022. The comparative amounts disclosed in the financial report and related notes are not comparable as the lengths of the periods differ by six months. The change had been made to align the financial year end of the Group with the Company's Mongolian subsidiary, Telmen Resource JSC.

The accounting policies have been consistently applied, unless otherwise stated.

##### (b) Principles of Consolidation

##### i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of TMK Energy Limited (the "parent entity") as at 31 December 2022 and the results of all subsidiaries for the 6 months then ended.

Subsidiaries are all entities over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group. Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of financial position respectively.

## Notes to the Consolidated Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### *ii) Jointly Controlled Assets and Operations*

The majority of operations are carried out subject to joint venture arrangements. The proportionate interests in the assets, liabilities, income and expenditure of a joint arrangement activity have been incorporated in the financial statements under the appropriate headings.

#### **(c) Segment Reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

#### **(d) Foreign Currency Translation**

##### *i) Functional and Presentation Currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Australian dollars, which is the Company's functional and presentation currency.

##### *ii) Transactions and Balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of profit or loss and other comprehensive income, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings are presented in the statement of profit or loss and other comprehensive income, within finance costs. All other foreign exchange gains and losses are presented in the Statement of Profit or Loss and Other comprehensive income on a net basis within other income or other expenses.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Transaction difference on assets and liabilities carried at fair value are reported as part of the fair value gain or loss.

##### *iii) Group Companies*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- Assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- Income and expenses for each Statement of profit or loss and other comprehensive income are translated at average exchange rate (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, a proportionate share of such exchange difference is reclassified to profit or loss, as part of the gain or loss on sale where applicable.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entities and translated at the closing rate.

#### **(e) Revenue Recognition**

##### *i) Interest Income*

Interest income is recognised on a time proportion basis using the effective interest method.

##### *ii) Oil and Gas Revenue*

Revenue is recognised when the control of the goods has been transferred to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably.



## Notes to the Consolidated Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (f) *Cash and Cash Equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with financial institutions and short-term deposits.

#### (g) *Trade and Other Receivables*

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest rate method, less Expected Credit Loss. Trade receivables are generally due for settlement between thirty (30) and ninety (90) days from the date of recognition. They are presented as current assets unless collection is not expected for more than 12 months after reporting date.

Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. The movement in the provision is recognised in profit or loss.

##### i) *Expected credit losses of financial asset at amortised cost*

Loss allowances for financial assets are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the Group's past history, existing market conditions as well as forward looking estimates at the end of each reporting period.

#### (h) *Other Financial Assets*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the statement of financial report date which are classified as non-current assets. Loans and receivables are included in receivables in the statement of financial position (note 8).

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Loans and receivables are carried at amortised cost using the effective interest method.

#### (i) *Exploration, Evaluation and Development Expenditure*

Expenditure on exploration and evaluation is accounted for in accordance with the area of interest method, in which rights of tenure are current is carried forward as an asset in the consolidated statement of financial position where it is expected that the expenditure will be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves.

This approach is strongly linked to the Group's oil and gas reserves determination and reporting process and is considered to most fairly reflect the results of the Group's exploration and evaluation activity because only assets with demonstrable value are carried on the statement of financial position.

Once a well commences producing commercial quantities of oil and gas, capitalised exploration and evaluation costs are transferred to Oil and Gas Properties – Producing Projects and amortisation commences.

This method allows the costs associated with the acquisition, exploration and evaluation of a prospect to be aggregated on the consolidated statement of financial position and matched against the benefits derived from commercial production once this commences.

Restoration, rehabilitation and environmental costs necessitated by exploration and evaluation activities are treated as exploration and evaluation expenditure.

#### (j) *Farm-out Arrangements*

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm-out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained. Any cash consideration received directly from the farmee is credited against costs previously capitalised in relation to the whole interest as relating to the partial interest retained with any excess accounted for by the farmor as gain on disposal. Monies received pursuant to farm-in agreements are treated as a liability on receipt and until such time as the relevant expenditure is incurred.

## Notes to the Consolidated Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (k) *Impairment of Exploration and Evaluation Assets*

The ultimate recoupment of the value of exploration and evaluation assets, the Company's investment in subsidiaries, and loans to subsidiaries is dependent on the successful development and commercial exploitation, or alternatively, sale of the exploration and evaluation assets.

Impairment tests are carried out on a regular basis to identify whether the assets carrying values exceed their recoverable amounts. There is significant estimation and judgement in determining the inputs and assumptions used in determining the recoverable amounts. The key areas of judgement and estimation include:

- Recent exploration and evaluation results and resource estimates;
- Environmental issues that may impact on the underlying tenements; and
- Fundamental economic factors that have an impact on the operations and carrying values of assets and liabilities.

#### (l) *Oil and Gas Properties*

Following commencement of production activities all acquisition, exploration, evaluation and development expenditure in relation to an area of interest is accumulated into an oil and gas property.

When further development expenditure is incurred in respect of a property after the commencement of production, such expenditure is carried forward as part of the cost of that property only when substantial economic benefits are established, otherwise such expenditure is classified as part of the cost of production.

Amortisation of the cost of oil and gas properties is provided on the unit-of-production basis over the proved developed reserves of the field concerned with separate calculations being made for each resource. The unit-of-production basis results in an amortisation charge proportional to the depletion of the economically recoverable reserves. Amortisation is charged from the commencement of production.

Oil and Gas properties are tested for impairment annually.

In the absence of readily available market prices, the recoverable amounts of assets are determined using estimates of the present value of future cash flows using asset-specific discount rates. For oil & gas properties, these estimates are based on assumptions concerning reserves, future production profiles and costs.

#### (m) *Investment in Associate*

Associates are entities over which the consolidated entity has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associate is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the statement of financial position at cost plus post-acquisition changes in the consolidated entity's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. Dividends received or receivable from associates reduce the carrying amount of the investment. After application of the equity method, the company determines whether it is necessary to recognise any additional impairment loss with respect to the company's net investment in the associate.

The company's share of the associate post-acquisition profits or losses is recognised in the statement of profit or loss and other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the consolidated entity's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivable, the consolidated entity does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

The consolidated entity discontinues the use of the equity method upon the loss of significant influence over the associate and recognises any retained investment at its fair value. Any difference between the associate's carrying amount, fair value or the retained investments and proceeds from disposal is recognised in profit or loss.

#### (n) *Joint Operations*

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. The consolidated entity has recognised its share of jointly held assets, liabilities, revenues and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications.

## Notes to the Consolidated Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### (o) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the group prior to the end of the financial year, which remain unpaid at year end. The amounts are unsecured and are usually paid within 30 days of recognition. They are recognised at fair value on initial recognition and subsequently at amortised cost, using the effective interest rate method.

#### (p) Employee Benefits

##### i) Short Term Obligations

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Profit sharing and bonus plans are recognised as expenses in profit or loss. The Group recognises a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

##### ii) Share Based Payments

Share based compensation benefits are provided to employees. Information relating to these granted Performance Rights are set out in note 18.

The fair value of the options is recognised as an employee benefit expense with a corresponding increase in equity. The total amount to be expensed is determined by reference to the fair value of the Performance Rights granted, which includes any market performance conditions and the impact of any non-vesting conditions but excludes the impact of any service and non-market performance vesting conditions.

The total expense is recognised over the vesting period, which is the period over which all of the specified vesting conditions are to be satisfied.

Upon vesting of the Performance Rights, the proceeds received (if any) net of any directly attributable transaction costs are allocated to share capital.

#### (q) Income Tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in the deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income.

Deferred income tax is provided on all temporary differences at the statement of financial position date, arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements and are recognised for all taxable temporary differences:

- Except where the deferred income tax liability arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax assets and unused tax losses to the extent it is probable that future taxable amounts will be available to utilise those temporary differences and losses:

- Except where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor the taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future extent that it is probable that the temporary differences can be utilised.

## Notes to the Consolidated Financial Statements

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the statement of financial position date.

Income taxes relating to items recognised directly in equity are recognised in equity and not in the statement of profit or loss and other comprehensive income.

#### (r) *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST, except:

- Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authorities, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense item as applicable; and
- Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

Cash flows are included in the statement of cash flows on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authorities are classified as operating cash flows. Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

#### (s) *Contributed Equity*

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from proceeds.

#### (t) *Earnings per Share*

##### i) *Basic Earnings per Share*

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

##### ii) *Diluted Earnings per Share*

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary share and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

#### (u) *New Accounting Standards and Interpretations*

The Group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

The adoption of these Accounting Standards and Interpretations did not have any significant impact on the financial performance or position of the Group.

## Notes to the Consolidated Financial Statements

### 2. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group monitors this risk and implements measures to minimise the impact of this risk. The Group uses different methods to measure different types of risk to which it is exposed, including sensitivity analysis in the case of interest rate, foreign exchange and other price risks, and ageing analysis for credit risk.

Risk management is carried out by the Board of Directors.

The Group holds the following financial instruments:

	31 Dec 2022 \$	30 Jun 2022 \$
<b>Financial Assets</b>		
Cash and cash equivalents	2,681,265	3,607,909
Trade receivables and other current assets	176,890	178,017
	<u>2,858,155</u>	<u>3,785,926</u>
<b>Financial Liabilities</b>		
Trade and other payables	317,700	470,457
	<u>317,700</u>	<u>470,457</u>

#### (a) Market Risk

##### i) Foreign Exchange Risk

The Group operates internationally through foreign subsidiaries and is exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US dollar and Mongolian Tugrik.

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency or from net investments in foreign operations. The risk is monitored using cash flow forecasting and regular management reporting.

Due to the nature of the Group's principal operation being oil & gas exploration and production the Group is exposed to the fluctuations in the price of oil & gas. Although the Group is economically exposed to commodity price risk of the above mentioned inputs, this is not a recognised market risk under the accounting standard as the risk is embedded within normal purchase and sales and are therefore not financial instruments.

##### ii) Cash Flow and Fair Value Interest Rate Risk

At reporting date, the Group has no long term borrowings and its exposure to interest rate risk is assessed as minimal.

The Group's exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets of the group are summarised in the following tables:

31 Dec 2022	Floating interest rate \$	Non-interest bearing \$	1 Year or less \$	Over 1 to 5 years \$	Total \$
<b>Financial assets</b>					
Cash and cash equivalents	-	2,681,265	-	-	2,681,265
	-	<u>2,681,265</u>	-	-	<u>2,681,265</u>
<b>30 Jun 2022</b>	<b>Floating interest rate \$</b>	<b>Non-interest bearing \$</b>	<b>1 Year or less \$</b>	<b>Over 1 to 5 years \$</b>	<b>Total \$</b>
<b>Financial assets</b>					
Cash and cash equivalents	-	3,607,909	-	-	3,607,909
	-	<u>3,607,909</u>	-	-	<u>3,607,909</u>



## Notes to the Consolidated Financial Statements

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Group has minimal exposure to interest rate risk other than reduction/increases in interest earned should the rates decrease/increase respectively. As an indication of possible sensitivity to changes in interest rates a 1% movement in interest rate, would increase/decrease the annual amount of interest received by \$Nil (2022: Nil)

#### (b) Credit Risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Group is not significantly exposed to credit risk from its operating activities, however the Board constantly monitors customer receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of financial asset. The Group does not hold collateral as security. No material exposure is considered to exist by virtue of the possible non-performance of the counterparties to financial instruments and cash deposits. The Group ensure the use of leading investment institutions in terms of managing cash. The cash is only held in institutions with at a minimum AA-credit rating. The maximum exposure to credit risk are the financial assets as disclosed at Note 2(a)(ii).

#### (c) Liquidity Risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions should they arise. Due to the dynamic nature of the underlying businesses, the Group aims at maintaining flexibility in funding by keeping committed credit lines available with a variety of counterparties. No unused lines of credit currently exist.

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1-5 years	Total	Carrying Value
31 Dec 2022	\$	\$	\$	\$	\$

#### Financial Liabilities

Trade and other payables	317,700	-	-	317,700	317,700
	317,700	-	-	317,700	317,700

Contractual maturities of financial liabilities	Less than 6 months	6-12 months	Between 1-5 years	Total	Carrying Value
30 Jun 2022	\$	\$	\$	\$	\$

#### Financial Liabilities

Trade and other payables	470,457	-	-	470,457	470,457
	470,457	-	-	470,457	470,457

#### (d) Fair Value Estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement, and for disclosure purposes.

#### (e) Fair value hierarchy

AASB 13 requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: Inputs other than quoted prices included within level 1 that are observable for the assets or liability, either directly or indirectly; and
- Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At year end 31 December 2022, the Group did not have any financial instruments that are subject to recurring or non-recurring fair value measurements.

#### (f) Fair values of other financial instruments

Due to their short-term nature, the carrying amounts of the current receivables and current trade and other payables is assumed to equal their fair value.

The following methods and assumptions are used to determine the net fair value of financial assets and liabilities:

- Cash assets, borrowings and financial assets are carried at amounts approximating fair value because of their short term nature to maturity.
- Receivables and payables are carried at amounts approximating fair value.

## Notes to the Consolidated Financial Statements

### 2. FINANCIAL RISK MANAGEMENT (CONTINUED)

#### (g) *Capital Risk Management*

The Group's objective when managing capital is to safeguard their ability to continue as a going concern, so that they can continue to provide returns to shareholders and benefits to other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group manages its capital by assessing the Group's financial risk and adjusts its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels, distributions to shareholders and share issues.

There have been no changes in the strategy adopted by management to control the capital of the group since the prior year. The Group is not subject to any externally imposed capital requirements.

### 3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectation of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

#### (a) *Income Taxes*

The Group expects to have carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the relevant jurisdictions.

#### (b) *Exploration and evaluation costs*

Exploration and evaluation costs have been capitalised on the basis that the consolidated entity will commence commercial production in the future, from which time the costs will be amortised in proportion to the depletion of the mineral resources. Key judgements are applied in considering costs to be capitalised which includes determining expenditures directly related to these activities and allocating overheads between those that are expensed and capitalised. In addition, costs are only capitalised that are expected to be recovered either through successful development or sale of the relevant mining interest. Factors that could impact the future commercial production at the mine include the level of reserves and resources, future technology changes, which could impact the cost of mining, future legal changes and changes in commodity prices. To the extent that capitalised costs are determined not to be recoverable in the future, they will be written off in the period in which this determination is made.

## Notes to the Consolidated Financial Statements

### 3. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

#### (c) *Investments in associates*

Associates are those entities over which the Group is able to exert significant influence but which are not subsidiaries. A holding of 20% or more of the voting power will indicate significant influence. They are accounted for using the equity method. The carrying amount of the investment in associates is increased or decreased to recognise the group's share of the profit or loss and other comprehensive income of the associate, adjusted where necessary to ensure consistency with the accounting policies of the group.

The Group assesses the carrying amount of its investments in associates at each reporting period, or more frequently if events or changes in circumstances indicate impairment, in accordance with AASB 128 Investments in Associates and Joint Ventures. If impairment indicators are identified, the Group tests the investments for impairment in accordance with AASB 136 Impairment of Assets. In assessing the recoverability of its investments in associates management applies their estimates and judgements as to the recoverability of its investments.

The Group applies the requirements of AASB 9 Financial Instruments to its other interest in the associate such as loans to or receivables from the associate.

#### (d) *Joint arrangements*

Joint arrangements are those entities or arrangements which the Group hold joint control with other parties. Judgement is required in assessing the level of control that the Group holds over the arrangement or entity. Judgement is applied when determining the relevant activities of a project and if joint control is held over it. Relevant activities include, but are not limited to, work program and budget approval, investment decision approval, voting rights in joint operating committees, amendments to permits and changes to joint arrangement participant holdings. If the Group obtains joint control of an arrangement, judgement is also required to assess whether the arrangement is a joint operation or a joint venture.

#### (e) *Share based payment transactions*

The Group measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by using either the Binomial or Black-Scholes model taking into account the terms and conditions upon which the instruments were granted. The accounting estimates and assumptions relating to equity-settled share-based payments would have no impact on the carrying amounts of assets and liabilities within the next annual reporting period but may impact profit or loss and equity.

## Notes to the Consolidated Financial Statements

### 4. SEGMENT REPORTING

Management has determined the operating segments based on reports reviewed by the Board of Directors that are used to make strategic decisions. The Board of Directors considers the business from a geographic perspective and have identified the below reportable segments:

Geographical Segment – 31 Dec 2022	\$	\$	\$	\$	\$
	Mongolia	Australia	USA	Corporate/ Unallocated	Consolidated
<b>For the 6 months ended 31 Dec 2022</b>					
Revenue	-	-	-	8,242	8,242
Loss for the period	(60,840)	(87)	-	(1,740,086)	(1,801,013)
<b>Assets</b>					
Segment assets	818,794	449,913	44,553	2,761,616	4,074,876
<b>Liabilities</b>					
Segment liabilities	31,574	-	38,322	301,640	371,536

Geographical Segment – 30 June 2022	\$	\$	\$	\$	\$
	Mongolia	Australia	USA	Corporate/ Unallocated	Consolidated
<b>For 12 months ended 30 Jun 2022</b>					
Revenue	-	-	-	530,329	530,329
Loss for the period	(564,103)	-	-	(9,385,617) <sup>(1)</sup>	(9,949,720)
<b>Assets</b>					
Segment assets	1,110,155	450,000	44,037	3,429,763	5,033,955
<b>Liabilities</b>					
Segment liabilities	141,930	-	38,236	347,527	527,693

<sup>(1)</sup> The Corporate/Unallocated loss for the 12 months ended 30 June 2022 period reconciles as follows:

	\$
Income (Debt forgiveness)	530,329
<b>Less:</b>	
Listing expense	(7,533,285)
Share Based Payments Expense	(2,191,288)
Other expenses	(191,373)
Corporate / Unallocated loss	<u>(9,385,617)</u>

### 5. OFFICE AND ADMINISTRATIVE EXPENSES

	Consolidated	
	6 months ended 31 Dec 2022	12 months ended 30 Jun 2022
	\$	\$
<b>The loss from continuing operations includes the following specific expenses:</b>		
Office and administrative expenses		
Wages and Salaries	(56,553)	(169,040)
Advertising and Marketing	(94,163)	(48,346)
Office Rent	(20,069)	(20,640)
Other administrative expenses	(167,401)	(74,111)
Total office and administration expenses	<u>(338,186)</u>	<u>(312,137)</u>

## Notes to the Consolidated Financial Statements

### 6. INCOME TAX

#### Consolidated

	6 months ended 31 Dec 2022	12 months ended 30 Jun 2022
	\$	\$

Major component of tax expense for the period:

Current tax

Deferred tax

**Total tax expense/(income)**

	-	-
	-	-

#### (a) Numerical reconciliation between aggregate tax expense recognised in the Statement of Profit or Loss and Other Comprehensive Income and tax expense calculated

The prima facie income tax expense/(income) on pre-tax accounting loss from operations reconciles to the income tax expense/(income) in the financial statements as follows:

#### Consolidated

	6 months ended 31 Dec 2022	12 months ended 30 Jun 2022
	\$	\$

Loss before income tax expense

Income tax expense/(income) calculated at 30% (2022: 30%)

Effect of expenses that are not deductible in determining taxable profit

Effect of unused tax losses and tax offsets not recognised as deferred tax assets

Other

	(1,801,013)	(9,947,812)
	(540,304)	(2,984,343)
	302,796	2,790,183
	237,508	187,836
	-	6,324
	-	-

#### (b) Unrecognised deferred tax balances

#### Consolidated

	31 Dec 2022	30 Jun 2022
	\$	\$

Deferred tax assets/(liabilities)

Tax losses

Provisions

Capital Raising Costs

Oil and gas properties

Net deferred tax assets/(liabilities)

Unrecognized deferred tax assets

Deferred tax assets/(liabilities)

	3,018,538	2,784,079
	16,151	17,171
	7,013	7,013
	(13,366)	(13,211)
	<b>3,028,336</b>	<b>2,795,052</b>
	<b>(3,028,336)</b>	<b>(2,795,052)</b>
	-	-

Net deferred tax assets have not been brought to account as it is not probable that immediate future profits will be available against which deductible temporary differences and tax losses can be utilised.



## Notes to the Consolidated Financial Statements

### 7. CASH AND CASH EQUIVALENTS

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Cash at bank	2,681,265	3,607,909

The Group's exposure to interest rate risk and foreign exchange risk is discussed in note 2.

### 8. TRADE AND OTHER RECEIVABLES

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
<b>Current</b>		
GST/VAT Receivable	31,495	15,648
Other receivables	26,138	20,903
	<b>57,633</b>	<b>36,551</b>

Due to the short-term nature of these receivables, their carrying amount is assumed to approximate their fair value.

## Notes to the Consolidated Financial Statements

### 9. INVESTMENT IN ASSOCIATE

TMK's interest in Talisman Deepse was acquired through the acquisition of a 20% shareholding in Skye Napoleon Pty Ltd (JV Company), which owns 100% of the Project comprising all the petroleum rights below 2,700m in offshore petroleum production licence WA-8-L. TMK has a right to convert this 20% shareholding to a 20% direct participating interest in the Project upon a joint venture for the Project being formed. TMK contributes to expenditure in accordance with its percentage interest.

As part of the reverse acquisition between Telmen and TMK, the fair value of the investment in Skye Napoleon Pty Ltd has been determined to be the carrying value of the investment in TMK's financial statements at the time of the reverse acquisition having reference to the valuation range published in the Independent Expert's Report included in the Notice of Meeting dated 12 January 2021.

Interest in associates are accounted for using the equity method of accounting. Information relating to associates that are material to the consolidated entity are set out below:

		Ownership Interest	
Name	Principal place of business/ Country of Incorporation	31 Dec 2022 %	30 Jun 2022 %
Skye Napoleon Pty Ltd	Australia	20%	20%
		31 Dec 2022 \$	30 Jun 2022 \$
<i>Summarised statement of financial position</i>			
Current assets		3,008	3,449
Non-Current assets		26,865	26,865
Total assets		<b>29,873</b>	<b>30,314</b>
Current liabilities		40,687	41,819
Non-current liabilities		1,128	-
Total liabilities		<b>41,815</b>	<b>41,819</b>
<b>Net liability</b>		<b>11,942</b>	<b>11,505</b>
<i>Summarised statement of profit or loss and other comprehensive income</i>			
Expenses		(437)	-
Loss before income tax		(437)	-
Income tax expense		-	-
Loss after income tax		(437)	-
Other comprehensive income		(437)	-
Total comprehensive loss		<b>(437)</b>	<b>-</b>
<i>Reconciliation of the consolidated entity's carrying amount</i>			
Opening balance		450,000	-
Additions as part of TMK acquisition		-	450,000
Share of profit/(loss) after income tax		(87)	-
Closing balance		<b>449,913</b>	<b>450,000</b>

## Notes to the Consolidated Financial Statements

### 10. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Plant and equipment - at cost	42,891	64,105
Less: Accumulated depreciation	(25,688)	(14,730)
	<b>17,203</b>	<b>49,375</b>
Motor vehicles - at cost	171,213	66,479
Less: Accumulated depreciation	(10,921)	(4,570)
	<b>160,292</b>	<b>61,909</b>
Furniture and fixtures - at cost	8,849	10,814
Less: Accumulated depreciation	(1,514)	(1,104)
	<b>7,335</b>	<b>9,709</b>
<b>Total property, plant and equipment</b>	<b>184,830</b>	<b>120,993</b>

Reconciliations of the written down values at the beginning and end of the current and previous financial year are set out below:

	Consolidated			
	Plant and equipment	Motor vehicles	Furniture and fixtures	Total
	\$	\$	\$	\$
<b>Balance at 1 July 2021</b>	<b>6,651</b>	-	<b>5,066</b>	<b>11,717</b>
Additions	56,149	66,848	5,685	128,682
Depreciation	(12,974)	(4,596)	(959)	(18,529)
Foreign exchange movement	(451)	(343)	(83)	(877)
<b>Balance at 30 June 2022</b>	<b>49,375</b>	<b>61,909</b>	<b>9,709</b>	<b>120,993</b>
Additions	7,756	135,104	-	142,860
Depreciation	(12,739)	(6,956)	(512)	(20,207)
Transfer to joint operation partner	(21,763)	(20,288)	(1,151)	(43,202)
Foreign exchange movement	(5,426)	(9,477)	(711)	(15,614)
<b>Balance at 31 December 2022</b>	<b>17,203</b>	<b>160,292</b>	<b>7,335</b>	<b>184,830</b>

## Notes to the Consolidated Financial Statements

### 11. OIL AND GAS PROPERTIES

The ultimate recoupment of these costs is dependent on successful development and commercial exploitation, or alternatively, the sale of the respective areas.

Consolidated		
Oil and gas properties – cost	31 Dec 2022	30 Jun 2022
	\$	\$
Producing oil & gas asset at acquisition	44,553	44,037
Accumulated Amortisation	-	-
	<b>44,553</b>	<b>44,037</b>
Movements in carrying amounts are reconciled as follows:		
Opening balance	44,037	-
Additions through reverse acquisition <sup>(1)</sup>	-	42,036
Additions during the period	-	-
Amortisation expense	-	-
Foreign exchange movement	516	2,001
<b>Closing balance</b>	<b>44,553</b>	<b>44,037</b>

<sup>(1)</sup> As part of the reverse acquisition between Telmen and TMK, the fair value of the investment in Oil and Gas Properties has been determined to be the carrying value in TMK's accounts at the time of the reverse acquisition.

### 12. CAPITALISED EXPLORATION AND EVALUATION EXPENDITURE

The below capitalised exploration and evaluation expenditure relates to one area of interest being the Gurvantes XXXV Project in Mongolia.

Consolidated		
	31 Dec 2022	30 Jun 2022
	\$	\$
Opening balance	632,999	737,458
Additions during the period	1,500,689	2,254,349
Reimbursement of back costs from farm-in partner	-	(362,700)
Contributions from Partner <sup>(1)</sup>	(398,918)	(1,968,634)
Bonus payment from Partner <sup>(2)</sup>	(1,210,046)	-
Foreign exchange movement	12,701	(27,474)
<b>Closing balance</b>	<b>537,425</b>	<b>632,999</b>

<sup>(1)</sup> The Company has a Farm-in agreement with Talon Energy Limited (Talon) in which Talon agreed to fund the initial US\$1.5 million of exploration costs (Stage 1) after which it must commit to fund a further US\$3.15 million (Stage 2) in return for a 33% interest in the Gurvantes XXXV Project. As at 31 December 2022, a total of US\$1.65 million (30 June 2022: US\$1.5 million) has been received from Talon and US\$1.65 million (30 June 2022: US\$1.374 million) has been spent based on the work program.

<sup>(2)</sup> In addition, Talon has paid a bonus payment of US\$0.8 million after the announcement of the 2C Contingent Resource of 1.2Tcf estimate into the project.

In accordance with the Farm-in agreement, Talon has made the election to proceed to Stage 2 during the 6 months ended 31 December and has earned 33% interest in the project.

## Notes to the Consolidated Financial Statements

### 13. TRADE AND OTHER PAYABLES

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Trade creditors	231,700	275,712
Trade accruals	86,000	10,268
Funds received from farm-in partner not yet spent	-	184,477
	<b>317,700</b>	<b>470,457</b>

These amounts are expected to be settled within 12 months. Due to the short-term nature of these payables, their carrying amount is assumed to approximate their fair value.

### 14. ISSUED CAPITAL

Ordinary shares	Consolidated			
	31 Dec 2022 Shares	30 Jun 2022 Shares	31 Dec 2022 AUD	30 Jun 2022 AUD
<b>Movements in share on issue</b>				
<b>Beginning of the period</b>	<b>3,480,000,000</b>	<b>91,800,000</b>	<b>12,804,079</b>	<b>12,804,079</b>
<b>Share Issued</b>				
Elimination of TRJ Share Capital	-	(91,800,000)	-	-
Existing issued capital of Telmen Energy	-	9,000	-	-
Shares issued to acquire TRJ	-	86,791,000	-	-
Conversion of Convertible Notes <sup>(1)</sup>	-	8,250,000	-	789,750
Capital raise <sup>(2)</sup>	-	1,255,000	-	272,962
Share based payment in lieu of services <sup>(3)</sup>	-	3,695,000	-	555,501
Elimination of Telmen Energy share capital	-	(100,000,000)	-	-
Existing issued capital of TMK Energy	-	985,000,000	-	-
Fully Paid Ordinary Shares to acquire Telmen <sup>(4)</sup>	-	1,600,000,000	-	8,865,000
Capital raise <sup>(5)</sup>	-	245,000,000	-	1,960,000
Share based payment <sup>(6)</sup>	-	50,000,000	-	400,000
Less: Capital raising cost	-	-	-	(107,800)
Class B Performance Shares <sup>(7)</sup>	-	600,000,000	-	-
Class A Performance Shares <sup>(7)</sup>	600,000,000	-	-	-
Class C Performance Shares <sup>(7)</sup>	400,000,000	-	-	-
Class A Performance Rights <sup>(8)</sup>	57,656,250	-	-	-
Class B Performance Rights <sup>(8)</sup>	61,406,250	-	-	-
Class C Performance Rights <sup>(8)</sup>	38,437,500	-	-	-
<b>Total shares issued</b>	<b>4,637,500,000</b>	<b>3,480,000,000</b>	<b>12,804,079</b>	<b>12,804,079</b>

<sup>(1)</sup> Conversion of convertible notes in Telmen on 4 November 2021

<sup>(2)</sup> 1,255,000 shares issued in Telmen on 23 November 2021 @ \$0.2175 per share

<sup>(3)</sup> 3,695,000 shares issued in lieu of services on 23 November 2021 (shares issued to Dunedin Capital Advisors Pty Ltd)

<sup>(4)</sup> Consideration Shares issued to shareholders of Telmen on 14 February 2022

<sup>(5)</sup> 245,000,000 shares issued in TMK Energy on 14 February 2022 @ \$0.008

<sup>(6)</sup> Introduction securities issued to Chieftain Securities on 14 February 2022

<sup>(7)</sup> Class A, Class B and Class C Performance shares issued to Telmen shareholders on 9 June 2022

<sup>(8)</sup> Class A, Class B and Class C Performance shares issued to management and employees on 11 February 2022



## Notes to the Consolidated Financial Statements

### 15. RESERVES

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Foreign currency translation reserve <sup>(1)</sup>	70,933	34,523
Share based payment reserve <sup>(2)</sup>	2,752,969	1,791,288
<b>Total reserve</b>	<b>2,823,902</b>	<b>1,825,811</b>
<b>(1) Foreign currency translation</b>		
Balance at 1 July	34,523	-
Currency translation differences arising during the period	36,410	34,523
	<b>70,933</b>	<b>34,523</b>
<b>(2) Share based payment reserve</b>		
Balance at 1 July	1,791,288	-
Share based payment movement during the period	961,681	1,791,288
	<b>2,752,969</b>	<b>1,791,288</b>

#### (a) Nature and purpose of reserves

##### Foreign currency translation reserve

The foreign currency translation reserve is used to record exchange differences arising from the translation of the financial statements of self-sustaining foreign operations.

##### Share based payment reserve

The share-based payment reserve is used to recognise the value of performance rights and options issued to employees, Directors, consultants, and external finance companies.

### 16. ACCUMULATED LOSSES

	Consolidated	
	31 Dec 2022	30 Jun 2022
	\$	\$
Accumulated losses at the beginning of the period	(10,123,628)	(173,908)
Net loss attributable to the members of the parent entity	(1,801,013)	(9,949,720)
<b>Accumulated losses at the end of the period</b>	<b>(11,924,641)</b>	<b>(10,123,628)</b>

## Notes to the Consolidated Financial Statements

### 17. LOSS PER SHARE

Consolidated		
	6 months ended 31 Dec 2022	12 months ended 30 Jun 2022
	\$	\$
Loss from continued operations	(1,801,013)	(9,949,720)
<b>Loss for the period</b>	<b>(1,801,013)</b>	<b>(9,949,720)</b>
Basic and dilutive EPS (cents per share)	(0.05)	(0.38)
	Number	Number
Weighted average number of ordinary shares outstanding during the year used in calculation of basic and dilutive EPS	3,671,074,112	2,644,033,356

Share options are considered to be potential ordinary shares and have been considered in the calculation of diluted EPS; the result of the conversion of these share options was anti-dilutive.

### 18. SHARE BASED PAYMENTS

Expenses arising from share-based payment transactions recognised during the period are follow:

Consolidated		
	6 months ended 31 Dec 2022	12 months ended 30 Jun 2022
	\$	\$
<b>Recognised in the statement of profit and loss</b>		
Listing expense	-	7,533,285
Share based payment expense <sup>(1)</sup>	961,681	2,191,288
	<b>961,681</b>	<b>9,724,573</b>
<b>Recognised in the statement of financial position</b>		
Exploration and evaluation asset	-	184,000
	<b>961,681</b>	<b>9,908,573</b>

<sup>(1)</sup> Share based payment recognised as share-based payment expense in the statement of profit and loss are as follows:

- \$961,681 (30 June 2022: \$1,191,288) being expensed relates to TMK's performance rights issued to employees and management (see Note 18b).

## Notes to the Consolidated Financial Statements

### 18. SHARE BASED PAYMENTS (CONTINUED)

#### (a) Options Issued

Set out below are summaries of options issued during the period.

	Consolidated	
	31 Dec 2022 Number	30 Jun 2022 Number
Outstanding at 1 July	75,000,000	-
Granted	-	75,000,000
Exercised	-	-
Expired	-	-
<b>Outstanding at the end of period</b>	<b>75,000,000</b>	<b>75,000,000</b>

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.13 years (30 June 2022: 2.37 years).

The 75,000,000 options outstanding at 31 December 2022 relates to options issued on 14 February 2022 to Chieftain as introduction securities, which vest when the share weighted average share price of the Company is equal or greater than \$0.02 for any 20 consecutive day period, and have an exercise price of \$0.008 and expire on 14 February 2025. The options have been valued using the Black Scholes method and determined to have a fair value of \$600,000 using the following assumptions:

- Exercise price of \$0.008
- Volatility of 120%
- Implied life of 3 years
- Risk free rate of 1.59%
- Dividend yield of nil

#### (b) Performance Rights Issued

Set out below are summaries of performance rights issued during the prior period.

	Consolidated	
	31 Dec 2022 Number	30 Jun 2022 Number
Outstanding at 1 July	208,750,000	-
Granted	-	210,000,000
Exercised	(157,500,000)	-
Expired/Forfeited	(6,250,000)	(1,250,000)
<b>Outstanding at the end of the period</b>	<b>45,000,000</b>	<b>208,750,000</b>

The weighted average remaining contractual life of performance rights outstanding at the end of the financial year was 3.37 years (30 June 2022: 3.87 years). The weighted average fair value at the end of the period was \$0.011 (30 June 2022: \$0.011) per right.

## Notes to the Consolidated Financial Statements

### 18. SHARE BASED PAYMENTS (CONTINUED)

The Performance Rights outstanding as at 31 December 2022 relates to the 210,000,000 Performance Rights issued on 11 February 2022 for nil considerations to employees and management. The Performance Rights convert into fully paid ordinary shares upon meeting the following performance conditions:

Class and Performance Conditions	Expiry Date	Number issued	Valuation per Performance Right
Class A: both of the following occurring: <ul style="list-style-type: none"> <li>The volume-weighted average price ('VWAP') of TMK shares over 20 consecutive trading days being at least \$0.02; and</li> <li>Commencement of a drilling program within the Gurvantes XXXV area within three years from the date of issue.</li> </ul>	14 February 2025	78,750,000	\$0.01
Class B: vest upon either of the following occurring: <ul style="list-style-type: none"> <li>Intersection of 25m of coal seams in any two of the first four wells within the Gurvantes XXXV Project area; or</li> <li>100 billion cubic feet of 2C (best estimate of contingent resources) Petroleum Resources Management System ('PRMS') compliant resource within the Gurvantes XXXV Project area.</li> </ul>	14 February 2027	78,750,000	\$0.011
Class C: determination of a 100 billion cubic feet 2C PRMS compliant resource within the Gurvantes XXXV Project Area	14 February 2027	52,500,000	\$0.011

As at 31 December 2022, all the conditions have been met and the Performance Rights have vested.

The Class A Performance Rights have been valued with the following assumptions:

- Volatility of 120%
- Implied life of 3 years
- Risk free rate of 1.59%
- Dividend yield of nil

The Class B and Class C Performance Rights have been valued at the underlying share price on the date of issue.

#### (c) Performance Shares Issued

Set out below are summaries of performance shares issued during the prior period.

	Consolidated	
	31 Dec 2022 Number	30 Jun 2022 Number
Outstanding at 1 July	1,000,000,000	-
Granted	-	1,600,000,000
Vested	(1,000,000,000)	(600,000,000)
Expired/Forfeited	-	-
<b>Outstanding at the end of the period</b>	<b>-</b>	<b>1,000,000,000</b>

## Notes to the Consolidated Financial Statements

### 18. SHARE BASED PAYMENTS (CONTINUED)

As part of the reverse acquisition in the prior year, the Company issue a total of 1,600,000,000 Performance Shares which form part of the consideration for the acquisition. The Performance Share convert into fully paid ordinary shares upon satisfaction of the following milestones:

Class	Performance Conditions	Expiry Date	Number issued
Tranche 1	<p>Tranche 1 Consideration Performance Shares vest upon both of the following occurring:</p> <ul style="list-style-type: none"> <li>The volume-weighted average price ('VWAP') of TMK shares being equal to, or greater than \$0.020 for 20 trading days; and</li> <li>Commencement of a drilling program within the Gurvantes XXXV area within three years from the date of issue.</li> </ul>	14 February 2025	600,000,000
Tranche 2	<p>Tranche 2 Consideration Performance Shares vest upon either one of the following occurring:</p> <ul style="list-style-type: none"> <li>Intersection of 25m of coal seams in any two of the first four wells; or</li> <li>100 billion cubic feet of Petroleum Resources Management System ('PRMS') best estimate of contingent resources ('2C') within five years from the date of issue.</li> </ul>	14 February 2027	600,000,000
Tranche 3	Tranche 3 Performance Rights vest upon 100 billion cubic fee 2C PRMS compliant resource within five years from the date of issued.	14 February 2027	400,000,000

The milestones for Tranche 1 and Tranche 3 Performances Shares were satisfied in the 6 months ended 31 December 2022 and the milestones for Tranche 2 Performance Shares were satisfied in the 30 June 2022 financial year. All the Performance Shares were converted into ordinary share as at 31 December 2022.

## Notes to the Consolidated Financial Statements

### 19. PARENT ENTITY INFORMATION

The ultimate holding company of the Group, TMK Energy Ltd (the "Parent") has not been reported on in these financial statements other than the following, pursuant to changes to the Corporation Act 2001:

	Parent Entity	
	31 Dec 2022 \$	30 Jun 2022 \$
Current assets	2,688,833	3,369,228
Non-current assets	449,913	486,653
Total assets	<b>3,138,746</b>	3,855,881
Current liabilities	325,655	144,789
Non-current liability	-	-
Total liabilities	<b>325,655</b>	144,789
Net assets	<b>2,813,091</b>	<b>3,711,092</b>
Issued capital	33,352,568	33,352,568
Options issued	408,890	408,890
Equity reserves	581,563	581,564
Accumulated losses	(31,529,930)	(30,631,930)
Total equity	<b>2,813,091</b>	<b>3,711,092</b>
	<b>6 months ended 31 Dec 2022 \$</b>	<b>12 months ended 30 Jun 2022 \$</b>
Loss for the period	(898,000)	(943,912)
Total comprehensive loss for the period	<b>(898,000)</b>	<b>(943,912)</b>

The Parent entity has not entered into any guarantees and has no contingent liabilities or contractual commitments.



## Notes to the Consolidated Financial Statements

### 20. CASH FLOW INFORMATION

Reconciliation of cash flow from operations with loss from continuing operations after income tax.

	Consolidated	
	6 months ended 31 Dec 2022	12 months ended 30 Jun 2022
	\$	\$
<b>Loss after income tax</b>	(1,801,013)	(9,949,720)
<b>Non-cash flows in loss:</b>		
Depreciation	1,135	7,033
Impairment	-	15,200
Listing Expense	-	7,533,285
Foreign currency movements	49,016	2,839
Share Based Payments	961,681	2,191,288
Share of loss in associate	87	-
Loan Forgiveness (Other Income)	-	(528,051)
Increase in trade creditors and accruals	(142,713)	388,411
Increase/(decrease) in trade and other receivables	23,050	(354,794)
Increase/(decrease) in other provision	(3,486)	57,236
<b>Cash outflows from operations</b>	<b>(912,243)</b>	<b>(637,273)</b>

#### Non-cash investing and financing activities

In the prior year, the Company has acquired TRJ through a share swap and Telmen by issuing ordinary shares and performance shares (see Note 18 Share based payments). No cash consideration was provided in the transaction.

There were no other non-cash investing and financing activities.

### 21. SUBSIDIARIES

The Company has the following subsidiaries:

Name of Subsidiary	Place of Incorporation	Percentage owned	
		31 Dec 2022	30 Jun 2022
Tamaska Energy LLC	Louisiana USA	100%	100%
Tamaska Oil and Gas Inc	Delaware USA	100%	100%
Tamaska Oil and Gas Texas LLC	Texas USA	100%	100%
Parta Energy Pty Ltd <sup>(1)</sup>	Australia	-	100%
Telmen Energy Limited	Australia	100%	100%
Telmen Resource LLC	Mongolia	100%	100%

<sup>(1)</sup> Parta Energy Pty Ltd was deregistered during the 6 months ended 31 December 2022.

### 22. JOINT OPERATION

The Group has a 67% interest in a joint arrangement with Talon Energy Limited through the farm-in arrangement in the Gurvantes XXXV Project. The principal place of business of the joint operation is in Mongolia.

## Notes to the Consolidated Financial Statements

### 23. RELATED PARTY TRANSACTIONS

#### (a) Parent Entity

The ultimate parent entity that exercises control over the Group is TMK Energy Limited, which is incorporated in Australia.

#### (b) Subsidiaries

Details of interests in wholly owned controlled entities are set out in Note 21.

#### (c) Transactions and outstanding balances with other related parties

The following transactions occurred with related parties during the year on an arm's length commercial basis:

	Consolidated	
	6 months ended 31 Dec 2022	12 months ended 30 Jun 2022
	\$	\$
<b>Sales and purchases of goods and services</b>		
Expenses charged for services from Tsetsen Zantav <sup>(1)</sup> and his related entities	109,852	41,155
<b>Other transactions</b>		
Debt forgiveness between TRJ and Tsetsen Zantav and his related entities	-	516,327
Loans repaid to Tsetsen Zantav and his related entities	-	248,060
<b>Outstanding balances arising from sales/purchases of goods or services</b>		
KMP or entities controlled by KMP	-	32,429
Receivables from Tsetsen Zantav and his related parties	11,936	-

<sup>(1)</sup> Tsetsen Zantav was the majority shareholder of TRJ until the acquisition by TMK on 15 February 2022 and remains as a significant shareholder of TMK.

In the 12 months ended 30 June 2022, 1,021,720,000 ordinary shares and 1,021,720,000 performance shares were issued to related parties in their capacity as shareholders of Telmen on the acquisition of Telmen by TMK. These were originally issued as 3,695,000 Telmen shares prior to the acquisition of Telmen by TMK (refer Note 18). These shares consisted of a share-based payment of 2,000,000 shares with the balance of 1,695,000 shares being settled in lieu of cash for services provided to Telmen. In the 6 months ended 31 December 2022, all performance shares and rights held by related parties have vested and converted to shares.

## Notes to the Consolidated Financial Statements

### 22. RELATED PARTY TRANSACTIONS

#### (d) Transactions with key management personnel

The totals of remuneration paid to KMP of the Company and the Group during the year are as follows:

	Consolidated	
	6 months ended 31 Dec 2022	12 months ended 30 Jun 2022
	\$	\$
Short-term employee benefits	354,875	307,749
Superannuation	12,646	9,091
Annual Leave	9,191	7,268
Share-based payments (note 18)	491,823	789,956
<b>Total KMP compensation</b>	<b>868,535</b>	<b>1,114,064</b>

Detailed remuneration disclosures are provided in the remuneration report on pages 14 to 20. These differ from the above due to the remuneration report being made on the legal entity, versus the accounting entity, as a result of the application of the reverse takeover accounting methodology.

#### (e) Loan to / from related parties:

In the 12 months ended 30 June 2022, \$134,450 of convertible notes were subscribed for by certain KMPs and their related parties and converted into ordinary shares in Telmen on 4 November 2021. The convertible notes were held by Dougal Ferguson (\$101,200) and Stuart Baker (\$33,250). On the acquisition of Telmen by TMK, each Telmen shareholder received 16 TMK fully paid ordinary shares and 16 TMK performance shares for each share they held in Telmen. The convertible notes held by KMPs and their related parties converted into 351,200 shares in Telmen, which then converted into 5,619,500 fully paid ordinary shares and 5,619,500 performance shares in TMK. These amounts are included in note 22(c) above as part of the total amount of ordinary shares and performance shares issued in TMK to related parties in their capacity as shareholders of Telmen.

During 2021 and up to the date of the acquisition of Telmen by the Company, Telmen Resource LLC was funded through various loans from Telmen Resource LLC's major shareholder, Mr Tsetsen Zantav (and his related entities). Upon the acquisition of Telmen, the Company agreed with Mr. Zantav (and his related parties) that all but US\$150,000, which was repaid in cash at completion of the acquisition, would be forgiven. The remaining balance of the loans which totalled A\$516,327 were forgiven during the year ended 30 June 2022 and brought to account as other income in the Group. As at 31 December 2022, there was no balance outstanding (30 June 2022: nil).

There were no other loans to or from related parties during the year (2022: Nil).

## Notes to the Consolidated Financial Statements

### 24. REMUNERATION OF AUDITORS

#### Consolidated

	6 months ended 31 Dec 2022	12 months ended 30 Jun 2022
	\$	\$
<b>Amounts received or due and receivable by BDO Audit (WA) Pty Ltd for:</b>		
Audit and audit review services of periodic financial reports	50,149	48,506
Other services	-	42,658
	<b>50,149</b>	<b>91,164</b>

Remuneration of auditors relates to fees paid by the parent entity for the period ended 31 December 2022 and 30 June 2022.

### 25. DIVIDENDS

No dividend was paid or declared during the period and the Directors do not recommend the payment of a dividend (30 June 2022: Nil).

### 26. COMMITMENTS

The Company had no commitments at 31 December 2022 (30 June 2022: Nil).

### 27. CONTINGENCIES

The consideration for the reverse acquisition between Telmen and the Company (refer Note 18b) comprises of performance shares that will convert to ordinary shares when the performance conditions have been met. 600,000,000 Tranche A Performance Shares and 400,000,000 Tranche C Performance Shares remained outstanding at 30 June 2022. At as 31 December 2022, all of the performance shares have converted to shares during the 6 month period and no performance shares remained outstanding.

There were no other known contingent liabilities or contingent assets at 31 December 2022. (30 June 2022: Nil).

### 28. EVENTS SUBSEQUENT TO REPORTING DATE

On 7 March 2023, Professor John Warburton was appointed as Non-Executive Director of the Company.

No other matters or circumstances have arisen since the end of the financial period which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

## Directors' Declaration

The Directors of the Company declare that:

- 1) The financial statements and notes, as set out on pages 23 to 53, are in accordance with the Corporations Act 2001 and:
  - a) comply with Accounting Standards and the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b) give a true and fair view of the financial position as at 31 December 2022 and of the performance for the period ended on that date of the company and Group;
- 2) In the Directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
- 3) The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board
- 4) The Directors have been given the declaration by the Executive Director and Chief Financial Officer required by section 295A of the Corporation Act 2001.
- 5) The remuneration disclosures contained on the Remuneration Report comply with section 300A of the Corporations Act 2001.

This declaration is made in accordance with a resolution of the Board of Directors.



Brett Lawrence  
Director  
Perth, Western Australia  
31 March 2023

## Independent Audit Report to the Members



Tel: +61 8 6382 4600  
Fax: +61 8 6382 4601  
[www.bdo.com.au](http://www.bdo.com.au)

Level 9, Mia Yellagonga Tower 2  
5 Spring Street  
Perth, WA 6000  
PO Box 700 West Perth WA 6872  
Australia

### INDEPENDENT AUDITOR'S REPORT

To the members of TMK Energy Limited

### Report on the Audit of the Financial Report

#### Opinion

We have audited the financial report of TMK Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the period then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the *Corporations Act 2001*, including:

- (i) Giving a true and fair view of the Group's financial position as at 31 December 2022 and of its financial performance for the period ended on that date; and
- (ii) Complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

#### Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report. We are independent of the Group in accordance with the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of the Company, would be in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





## Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

## Accounting for share-based payments

Key audit matter	How the matter was addressed in our audit
<p>During the period ended 31 December 2022, performance rights previously issued to employees and key management personnel continued to vest. These instruments are accounted for as share based payments under AASB 2: Share Based Payments ('AASB 2').</p> <p>Share-based payments are a complex accounting area including assumptions utilised in the fair value calculations and judgments regarding the performance rights on issue during the period.</p> <p>Accounting for share-based payments was deemed to be a key audit matter as the accounting is complex and subject to significant management estimates and judgement.</p> <p>Refer to Notes 1 (p), 3 (f) and 17 of the financial report for a description of the accounting policy and significant estimates and judgements applied to these transactions.</p>	<p>Our procedures included, but were not limited to:</p> <ul style="list-style-type: none"> <li>• Reviewing the relevant agreements to obtain an understanding of the contractual nature and terms and conditions of the share-based payment arrangements;</li> <li>• Holding discussions with management to understand the share-based payment transactions in place;</li> <li>• Verifying that the share-based payment expense has been recognised appropriately according to the vesting conditions; and</li> <li>• Reviewing the accounting treatment applied with reference to AASB 2 <i>Share Based Payment</i>; and</li> <li>• Assessing the adequacy of the related disclosure in Notes 1 (p), 3 (f) and 17.</li> </ul>

## Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the period ended 31 December 2022 but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.



In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

#### **Responsibilities of the directors for the Financial Report**

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

#### **Auditor's responsibilities for the audit of the Financial Report**

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (<http://www.auasb.gov.au/Home.aspx>) at:

[https://www.auasb.gov.au/admin/file/content102/c3/ar1\\_2020.pdf](https://www.auasb.gov.au/admin/file/content102/c3/ar1_2020.pdf)

This description forms part of our auditor's report.

#### **Report on the Remuneration Report**

##### **Opinion on the Remuneration Report**

We have audited the Remuneration Report included in pages 14 to 20 of the directors' report for the period ended 31 December 2022.

In our opinion, the Remuneration Report of TMK Energy Limited, for the period ended 31 December 2022, complies with section 300A of the *Corporations Act 2001*.



### **Responsibilities**

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

### **BDO Audit (WA) Pty Ltd**

A handwritten signature in black ink, appearing to read 'Dean Just', is written over a faint, light grey BDO logo.

**Dean Just**

**Director**

Perth

31 March 2023

## ADDITIONAL ASX SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 24 March 2023.

### LISTING OF 20 LARGEST SHAREHOLDERS

Position	Investor	Holding	%
1	TSETSEN ZANTAV	1,613,000,000	34.78%
2	GANZORIG VANCHIG	308,712,000	6.66%
3	BRENDAN STATS	288,000,000	6.21%
4	DUNEDIN CAPITAL ADVISORS PTY LTD	148,240,000	3.20%
5	AVIEMORE CAPITAL PTY LTD	86,846,869	1.87%
6	DELGERMAA ERKHEMBAYAR	80,000,000	1.73%
6	BOLORMAA ERKHEMBAYAR	80,000,000	1.73%
7	NETWEALTH INVESTMENTS LIMITED <WRAP SERVICES A/C>	77,896,333	1.68%
8	BNP PARIBAS NOMINEES PTY LTD <IB AU NOMS RETAILCLIENT DRP>	69,208,789	1.49%
9	CRAIG IAN BURTON <CI BURTON FAMILY A/C>	57,156,499	1.23%
10	WYMAN INVESTMENTS PTY LTD <ROBERT FOOT PERSONAL A/C>	55,482,226	1.20%
11	W I G PTY LTD <GOLD TREE A/C>	55,200,000	1.19%
12	MUI JOO FOOT	51,100,000	1.10%
13	ALBA CAPITAL PTY LTD	50,593,501	1.09%
14	SHENTON JAMES PTY LTD	47,700,000	1.03%
15	CITICORP NOMINEES PTY LIMITED	44,273,510	0.95%
16	ENKHBAT LKHAGVA	42,061,120	0.91%
17	KRAKOUER CAPITAL PTY LTD	40,000,000	0.86%
18	BAITUHABUER	39,958,080	0.86%
19	PRAHA NOMINEES PTY LTD <JAG UNIT A/C>	34,829,000	0.75%
20	CHINRAV NATSAG	32,000,000	0.69%
	<b>Total</b>	<b>3,302,257,927</b>	<b>71.21%</b>

### DISTRIBUTION OF SHAREHOLDERS

Spread of Holdings	Number of Ordinary Shareholder
1 - 1000	39
1001 - 5000	30
5001 - 10,000	3
10,001 - 100,000	370
100,001 and above	725
<b>Total</b>	<b>1,167</b>

### UNMARKETABLE PARCELS

There were 118 shareholders holding less than a marketable parcel of shares.

## SUBSTANTIAL SHAREHOLDERS

Investor	Holding	%
TSETSEN ZANTAV	1,613,000,000	34.78%
GANZORIG VANCHIG	308,712,000	6.66%
BRENDAN STATS	288,000,000	6.21%

## PERFORMANCE RIGHTS

Grant Date	Expiry Date	Exercise Price	Number of performance rights	Number of holders
15 February 2022	14 February 2025	\$0.00	16,875,000	2
15 February 2022	14 February 2027	\$0.00	16,875,000	2
15 February 2022	14 February 2027	\$0.00	11,250,000	2
			<b>45,000,000</b>	

## VOTING RIGHTS AND UNLISTED SECURITIES

### Ordinary Shares

In accordance with the Company's Constitution, on a show of hands every shareholder present in person or by proxy, attorney or representative of shareholder has one vote and on a poll every shareholder present in person or by proxy, attorney or representative of a shareholder has in respect of fully paid shares, one vote for every share held.

### Options

There were 75,000,000 options over shares on issue at 31 December 2022. The options are fully vested and exercisable at \$0.008 on or before 11 February 2025.

### Performance Rights

There are no voting rights attached to the Performance Rights.

## CORPORATE GOVERNANCE

The Company's Corporate Governance Statement can be accessed at [www.tmkenergy.com.au](http://www.tmkenergy.com.au)

## TENEMENT SCHEDULE

### Gurvantes XXXV Production Sharing Agreement

As at 31 December 2022, TMK has a 67% economic interest in the Gurvantes Project. Talon has earned the remaining 33% economic interest via a two-stage farmin (Farmout Agreement).

The Farmout Agreement required Talon to fund 100% of the costs of an agreed budget for an initial work program including the drilling of at least four core holes up to an amount of US\$1.5 million which is now complete. Talon elected to proceed to the next stage of the Farmout Agreement and has committed to spending 100% of the costs of a secondary work program up to an amount of US\$3.15 million. Following completion of the first and second stage of the exploration program, TMK is required to contribute 67% of the costs towards any subsequent work programs and will retain a 67% economic interest in the Project, with Talon having the remaining 33% economic interest.

### West Klondike Prospect

As at 31 December 2022, TMK has a 11.36% working interest in the following tenements in the West Klondike Prospect, located in Iberville Parish, Louisiana.

Lease Number
WK#1A
WK#1B
WK#1C
WK#2
WK#3A
WK#3B

### Skye Napoleon Tenement

As at 31 December 2022, TMK has the right to a 20% direct interest in petroleum production license WA-8-L in the offshore Barrow-Dampier sub basin on Australia's North West Coast through its 20% ownership of Skye Napoleon Pty Ltd.



For personal use only

