



TMK ENERGY LIMITED

INTERIM FINANCIAL REPORT
For the period ended 30 June 2023

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CORPORATE DIRECTORY

Directors	<p>Brett Lawrence – Non Executive Director</p> <p>Gema Gerelsaikhan – Non Executive Director</p> <p>Tim Wise – Non Executive Director</p> <p>Prof. John Warburton – Non Executive Director</p>
Chief Executive Officer	Brendan Stats
Company Secretary	Dougal Ferguson
Registered & Head Office	<p>1202 Hay Street</p> <p>West Perth WA 6005</p> <p>Telephone: + 61 8 6319 1900</p>
Mongolian Office	<p>Level 9, Niislel, 15th Khoroo</p> <p>Buyanzurkh District, Ulaanbaatar</p>
Auditors	<p>BDO Audit (WA) Pty Ltd</p> <p>Level 9, Mia Yellagonga Tower 2,</p> <p>5 Spring St,</p> <p>Perth WA 6000</p>
Solicitors	<p>Steinepreis Paganin</p> <p>Level 4, The Read Buildings</p> <p>16 Milligan Street</p> <p>Perth</p> <p>WA 6000</p>
Website Address	www.tmkenergy.com.au
ABN	66 127 735 442
Stock Exchange Listings	TMK Energy Ltd securities are listed on the Australian Stock Exchange under the code TMK
Share Registry	<p>Automic Registry Services</p> <p>Level 2, 267 St Georges Terrace</p> <p>Perth WA 6000</p> <p>Telephone: +61 8 9324 2099</p> <p>Facsimile: + 61 8 9321 2337</p>

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OPERATIONS REPORT

EXECUTIVE SUMMARY

During the six months ended 30 June 2023, TMK Energy Limited (TMK or the Company) and the consolidated entity (the Group) was focussed on drilling, completion, and commissioning of its first pilot well program at the Gurvantes XXXV Coal Seam Gas (CSG) Project in the South Gobi Desert in Mongolia. TMK is the Operator and 67% owner of the Project, with Talon Energy Limited (TPD) having the remaining 33% interest in the Project.

The Company commenced drilling of three pilot production wells in April 2023 and completed drilling of the wells in June 2023, safely, on time and on budget. An extended production test was commenced shortly thereafter following commissioning of the pilot wells and associated facilities and early gas flows to surface were achieved in relatively short order. The extended production test will continue for at least six months during which time the Company hoped to gather additional data and record initial flow rates from the pilot wells.

On 7 March 2023, the Company appointed Professor John Warburton as a non-executive director of the Company and brings a wealth of experience to the Board. On 31 March 2023, Mr Stuart Baker resigned from the Board due to demands from his other business interests. During the six months ended 30 June 2023, there were no other changes to the Board or management of the Company.

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.

On 20 April 2023, the Company raised approximately \$5.7 million (before costs) through the issues of 393,079,300 shares to sophisticated and institutional investors at \$0.0145 per share, with one free attaching option for every two shares subscribed for under the Placement. Please refer to the Corporate section below for further changes to the capital structure during the period.

Following a change of year end from 30 June to 31 December, the Company held its Annual General Meeting on 31 May 2023 at which all resolutions were passed. At that meeting, Shareholders approved the issue of a total of 25 million options to Directors exercisable at \$0.025 per Option expiring 30 April 2026.

Subsequent to the end of the period on 4 August 2023, the Company issued executives and staff an award of Options and Performance Rights pursuant to the TMK Employee Incentive Securities Plan approved by Shareholders on 11 February 2022. The Options were on the same terms as those issued to Directors. The KPI's, which were a mix of long term and short term KPI's include a strong focus on safety and developing a Health Safety and Environment (HSE) Management Plan that caters for the Company's needs as it moves from solely an exploration focused company to also a company with appraisal, development, and production operations.

TMK's current capital structure is presented in the following table.

Class of Security	On Issue
Fully Paid Ordinary Shares	5,030,579,300
Listed Options expiring 30 April 2026 Ex \$0.025	262,052,867
Unlisted Options expiring 11 February 2025 Ex \$0.008	75,000,000
Unlisted Options expiring 30 April 2026 Ex \$0.025	86,000,000
Performance Rights (Various Classes)	122,000,000

Operations Review

Gurvantes XXXV Coal Seam Gas Project (Mongolia)

Overview

The Gurvantes XXXV CSG Project covers a very large area of 8,400 km². 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.

OPERATIONS REPORT



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 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.

Pilot Well Program

On 13 April 2023, TMK announced it had commenced drilling of its maiden Pilot Well Program which included the drilling of three production wells in proximity to the location of the successful Snow Leopard-02 (SL-02) exploration well.

The Pilot Well drilling program at Gurvantes XXXV comprised of the drilling of three individual production wells spaced approximately 200 metres apart. The Lucky Fox – 1 well commenced drilling on 12 April 2023 and was drilled to a total depth of 375 metres intersecting over 60 metres of gassy coal in the production interval. Lucky Fox – 2 commenced drilling on 5 May 2023 and was drilled to a total depth of 407 metres and intersected approximately 62 metres of gassy coal in the production interval. The final well in the program, Lucky Fox – 3 commenced drilling on 18 May 2023 and was drilled to a depth 515 meters and intersected the thickest coal interval of the three wells with approximately 68 metres of gassy coal intersected. The Major Drilling Group owned and operated drilling rig was demobilised from site on early June 2023 with the drilling program being completed safely, on time and on budget.

Work quickly progressed on site with the installation of surface facilities to each of the three production wells and associated supporting civil works and infrastructure. The surface facilities installation included connecting each of the three production wellheads to a metering skid that measures water and gas rates produced from each well. From the metering skids, gas flow lines run to a flare which burns any unused gas produced.

OPERATIONS REPORT

A water flow line from each of the three metering skids carries produced water to a central water pond before the water is pumped via a 1.2 km pipeline to a final water storage area associated with the adjacent coal mine owned and operated by Mongol Alt LLC (MAK). On 20 March 2023, the Company announced that it had signed a Cooperation and Offtake Agreement with 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.



Figure 2: Lucky Fox-1 Pilot Production Well in Continuous Flare

Following commissioning of the surface facilities and the wells, an extended production testing commenced on 17 July 2023 and a buildup of gas pressure in the Lucky Fox – 1 well commenced almost immediately. The first gas to surface for the Gurvantes XXXV Project was released from Lucky Fox – 1 and flared on 24 July 2023 and flowed for approximately three hours.

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

2023 Exploration Program

TMK recently commenced its 2023 exploration program with the signing of an Exploration Cooperation Agreement with Terra Energy LLC ('Terra'). Terra is the owner and operator of the Baruun Noyon Uul Coal Mine located within the eastern part of the Gurvantes XXXV Project area.

The Agreement sets the terms under which the parties agree to cooperate on exploration activities within the overlapping license areas which will drive significant cost savings for both parties. The initial joint exploration program to be undertaken under the Agreement includes a minimum of four fully cored exploration wells and ~40 kilometres of 2D seismic acquisition.

TMK and Terra will work together to execute the exploration program with drilling and seismic costs to be shared between the parties on a 50/50 basis. Additional costs associated with testing specifically associated with coal seam gas (CSG) exploration will be borne 100% by the Gurvantes Project partners, while any other testing work required for the coal mining operations will be borne 100% by Terra.

The drilling program recently commenced utilising contractors already engaged by Terra.

OPERATIONS REPORT

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.

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

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 30 June 2023.

West Klondike Project (USA)

TMK exited this project effective 26 June 2023 for a net cost of US\$10,000 and has no further interest in this project or any other projects in the USA.

Corporate

Management and Board Changes

On 7 March 2023, Professor John Warburton was appointed to the Board of the Company as a non-executive Director. John 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.

On 31 March 2023, Mr Stuart Baker, one of the founding directors of Telmen Energy Limited which was acquired by TMK in February 2022, resigned from the Board due to demands from his other business interests. Stuart joined the Telmen Energy Limited Board in August of 2021 and was appointed to the TMK board on 15 February 2022 following the acquisition of Telmen by TMK. Stuart provided valuable input into the Company's advancement during his tenure and the Company thanks Stuart for the time and effort he devoted to the Company.

There were no other changes to the Board or Management during the six months ended 30 June 2023.

Changes to Capital Structure

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

Bell Potter Securities Limited and PAC Partners Securities Pty Ltd acted as Joint Lead Managers to the Placement pursuant to an agreement dated 23 February 2023. Under the Lead Manager Mandate, the Company agreed to pay the Joint Lead Managers a 6% fee for the funds raised under the Placement. The Company also agreed to issue Joint Lead Managers options on a one-for-six basis, on the same terms as the options issued pursuant to the Placement. On 3 May 2023, 65,513,217 listed options were issued to brokers for the successful share placement in April 2023.

On 31 May 2023, shareholders have approved the issuance of 25,000,000 unlisted options to directors, which will vest if the director remains as a director of the Company for one year from the date of issue of the options. The options have an exercise price of \$0.025 and expire on 30 April 2026.

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 for the half year ended 30 June 2023.

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
- John Warburton – Non Executive Director (appointed 7 March 2023)
- Stuart Baker – Former Non Executive Director (resigned 31 March 2023)

The Company Secretary is Mr Dougal Ferguson.

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.

Review of Operations

For information on a review of the Group's operations refer to Operations Review contained on page 3 to 7 of this report.

Operating Results and Financial Position

The Company had a closing cash balance of \$5,191,207 at 30 June 2023 (31 December 2022: \$2,681,265)

The net operating loss for the Group for the 6 months ended 30 June 2023 after income tax amounted to \$967,845 (6 months ended 31 December 2022: \$1,801,013).

Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Group during the 6 months ended 30 June 2023 other than already disclosed.

Auditor's Independence Declaration

The Auditor's Independence Declaration, as required under Section 307c of the Corporations Act 2001, for the financial period ended 30 June 2023 has been received and can be found on the next page.

Matters subsequent to the end of the financial half-year

On 4 August 2023, the Group has announced the award of equity incentives for employees and key consultants under the Employee Incentive Securities Plan. The equity incentives are subject to Key Performance Indicators (KPIs) and certain vesting conditions. The award of equity incentives includes 61,00,000 unlisted options and 77,000,000 performance rights. Of the total equity incentives awarded, Mr Brendan Stats, the CEO of the Group, has been awarded 25,000,000 options and 22,500,000 performance rights, and Mr Dougal Ferguson, the COO of the Group, has been awarded 20,000,000 options and 18,000,000 performance rights. In addition, the total fixed remuneration of Mr Brendan Stats, has been increased to \$350,000 (including superannuation) bringing it more in line with his peers.

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

12 September 2023

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

As lead auditor for the review of TMK Energy Limited for the half-year ended 30 June 2023, 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 review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

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



Dean Just
Director

BDO Audit (WA) Pty Ltd
Perth
12 September 2023

Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2023

		Consolidated	
		6 months ended 30 Jun 2023	6 months ended 31 Dec 2022
	Notes	\$	\$
Revenue			
Other Income		9,218	-
Interest income		30,297	8,242
Total revenue		39,515	8,242
Accounting and audit fees		(49,107)	(140,299)
Directors' fees		(83,000)	(72,000)
Professional and consultancy fees		(197,582)	(165,278)
Regulatory expenses		(89,530)	(81,573)
Share of loss of associate		(160)	(87)
Share based payments expense	11	(19,623)	(961,681)
Depreciation expense		(1,645)	(1,135)
Office and administrative expenses	4	(583,339)	(338,186)
Loss of operating activities		(984,471)	(1,751,997)
Foreign exchange losses		16,626	(49,016)
Loss before tax		(967,845)	(1,801,013)
Income tax expense		-	-
Loss for the year after income tax		(967,845)	(1,801,013)
Other comprehensive income for the period			
Items that may be reclassified to profit or loss			
Exchange differences on the translation of foreign operations		(16,080)	36,410
Other comprehensive income for the period, net of tax		(16,080)	36,410
Total comprehensive loss for the period		(983,925)	(1,764,603)
Loss attributed to:			
Owners of TMK Energy Limited		(967,845)	(1,801,013)
Total comprehensive loss for the period attributable to:			
Owners of TMK Energy Limited		(983,925)	(1,764,603)
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)		(0.02)	(0.05)

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

Condensed Consolidated Statement of Financial Position

As at 30 June 2023

		Consolidated	
	Notes	30 Jun 2023 \$	31 Dec 2022 \$
Current assets			
Cash and cash equivalents		5,191,207	2,681,265
Trade and other receivables	5	1,528,264	57,633
Other current assets		38,938	119,257
Total current assets		6,758,409	2,858,155
Non-current assets			
Investment in Associate (Napoleon Prospect)	6	449,753	449,913
Exploration and evaluation assets	7	753,814	537,425
Property, Plant and Equipment	8	517,523	184,830
Oil and gas properties		-	44,553
Total non-current assets		1,721,090	1,216,721
Total assets		8,479,499	4,074,876
Current liabilities			
Trade and other payables		354,875	317,700
Provisions		23,102	15,514
Total Current liabilities		377,977	333,214
Non-current Liabilities			
Restoration Provision		-	38,322
Total non-current liabilities		-	38,322
Total liabilities		377,977	371,536
Net assets		8,101,522	3,703,340
Equity			
Issued share capital	9	17,521,582	12,804,079
Share based payment reserve		3,417,573	2,752,969
Foreign currency translation reserve		54,853	70,933
Accumulated losses		(12,892,486)	(11,924,641)
Total equity		8,101,522	3,703,340

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

Condensed Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2023

	Issued Share capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 July 2022	12,804,079	1,791,288	34,523	(10,123,628)	4,506,262
Currency translation of foreign operations	-	-	36,410	-	36,410
Loss after tax	-	-	-	(1,801,013)	(1,801,013)
Total comprehensive income/(loss) for the period	-	-	36,410	(1,801,013)	(1,764,603)
Transactions with equity holders in their capacity as equity holders					
Share Based Payments	-	961,681	-	-	961,681
Balance at 31 December 2022	12,804,079	2,752,969	70,933	(11,924,641)	3,703,340
	Issued Share capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated losses	Total Equity
	\$	\$	\$	\$	\$
Balance at 1 January 2023	12,804,079	2,752,969	70,933	(11,924,641)	3,703,340
Currency translation of foreign operations	-	-	(16,080)	-	(16,080)
Loss after tax	-	-	-	(967,845)	(967,845)
Total comprehensive income/(loss) for the period	-	-	(16,080)	(967,845)	(983,925)
Transactions with equity holders in their capacity as equity holders					
Issue of share capital	5,699,678	-	-	-	5,699,678
Capital Raising Costs	(982,175)	644,981	-	-	(337,194)
Share Based Payments	-	19,623	-	-	19,623
Balance at 30 June 2023	17,521,582	3,417,573	54,853	(12,892,486)	8,101,522

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

Condensed Consolidated Statement of Cash Flows

For the half-year ended 30 June 2023

Consolidated			
	6 months ended 30 Jun 2023	6 months ended 31 Dec 2022	
Notes	\$	\$	
Cash flows from operating activities			
Interest received	30,297	8,242	
Payments to suppliers and employees (inclusive of GST)	(678,551)	(961,332)	
GST Refunds	30,141	40,747	
Net cash and cash equivalents outflow from operating activities	(618,113)	(912,243)	
Cash flows from investing activities			
Contributions from farm-in partner	5,110,871	238,572	
Payment to term deposits	(1,500,000)	-	
Bonus from farm-in partner	-	1,210,046	
Payment for property, plant and equipment	(345,762)	-	
Exploration costs on oil and gas activities	(5,449,830)	(1,499,429)	
Net cash and cash equivalents outflow from investing activities	(2,184,721)	(50,811)	
Cash flows from financing activities			
Proceeds from issue of ordinary shares and options	5,699,678	-	
Capital raising cost	(370,913)	-	
Net cash and cash equivalents inflow from financing activities	5,328,765	-	
Net increase/(decrease) in cash held	2,525,931	(963,054)	
Cash and cash equivalents at beginning of financial period	2,681,265	3,607,909	
Foreign exchange movement on cash	(15,889)	36,410	
Cash and cash equivalents at end of period	5,191,207	2,681,265	

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

Notes to the Condensed Consolidated Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

TMK Energy Limited ("TMK" or the "Company") is a company incorporated in Australia and limited by shares. TMK shares are publicly traded on the Australian Securities Exchange under the stock code TMK. The condensed consolidated interim financial statements of the Company as at, and for the half-year ended, 30 June 2023 comprise the Company and its controlled entities (together the "Group").

The financial report was authorised for issue by the Board of Directors on 12 September 2023.

(a) Basis of Preparation

These general purpose financial statements for the half-year ended 30 June 2023 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standards including *AASB 134 Interim Financial Reporting*.

The financial report does not include all notes of the type normally included within the annual financial report. However, selected explanatory notes are included to explain events and transactions that are important to an understanding of changes in the Group's financial position and performance since the last annual consolidated financial statements, as of, and for the period ended 30 June 2023.

It is recommended that this interim financial report be read in conjunction with the annual report for the six months ended 31 December 2022 and considered together with any public announcements made by the Company during the half-year ended 30 June 2023 in accordance with the Company's continuous disclosure obligations.

(b) Going concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and settlement of liabilities in the normal course of business.

For the half year ended 30 June 2023, the Group recorded a loss of \$967,845 (31 December 2022: \$1,801,013), and experienced net cash inflows of \$2,525,931 (31 December 2022: outflow of \$963,054). At 30 June 2023, the Group had a net current assets of \$6,380,432 (31 December 2022: \$2,524,941). At 30 June 2023, the cash balance was \$5,191,207 (31 December 2022: \$2,681,265).

The Directors believe there are sufficient funds to meet the entity's working capital requirements and as at the date of this report. The financial report has been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- the Directors have the ability to reduce expenditure in order to preserve cash if required; and
- the Group has historically demonstrated its ability to raise funds to satisfy its immediate cash requirements as evident with the \$5.7m capital raised during the half year.

(c) Changes in financial year end

The Company has changed its financial year end from 30 June to 31 December as of 31 December 2022. The comparative amounts disclosed in the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows are for the six months ended 31 December 2022. The adjusted comparatives have been disclosed in compliance with AASB 134 Interim Financial Reporting.

(d) Accounting policy

The accounting policies and methods of computation adopted in the preparation of the interim financial report are consistent with those adopted and disclosed in the 2022 annual financial report for the six months ended 31 December 2022 unless otherwise stated.

(e) New Accounting Standards and Interpretations Adopted

A number of amended standards became applicable for the current reporting period. The group did not have to change its accounting policies or make retrospective adjustments as a result of adopting these amended standards.

(f) New Accounting Standards and Interpretations Not Yet Mandatory

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

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Notes to the Condensed Consolidated Financial Statements

(g) *Rounding Off of Amounts*

The Company is a company of the kind referred to in ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, dated 24 March 2016, and in accordance with that Corporations Instrument amounts in the financial report are rounded off to the nearest dollar, unless otherwise indicated.

2. CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The preparation of interim financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The judgements, estimates and assumptions applied in the interim financial statements, including the key sources of estimation uncertainty were the same as those applied in the Group's last annual financial statements for the six months ended 31 December 2022.

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Notes to the Condensed Consolidated Financial Statements

3. 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
For the 6 months ended 31 Dec 2022					
Revenue	-	-	-	8,242	8,242
Loss for the period	(60,840)	(87)	-	(1,740,086)	(1,801,013)
Assets					
Segment assets	818,794	449,913	44,553	2,761,616	4,074,876
Liabilities					
Segment liabilities	31,574	-	38,322	301,640	371,536

Geographical Segment – 30 June 2023	\$	\$	\$	\$	\$
	Mongolia	Australia	USA	Corporate/ Unallocated	Consolidated
For 6 months ended 30 Jun 2023					
Revenue	-	-	9,218	30,297	39,515
Gain/(Loss) for the period	(39,258)	-	9,218	(937,805)	(967,845)
Assets					
Segment assets	1,149,132	449,753	-	6,880,614	8,479,499
Liabilities					
Segment liabilities	169,525	-	-	208,452	377,977

4. OFFICE AND ADMINISTRATIVE EXPENSES

	Consolidated	
	6 months ended 30 Jun 2023	6 months ended 31 Dec 2022
	\$	\$
The loss from continuing operations includes the following specific expenses:		
Office and administrative expenses		
Wages and Salaries	(101,924)	(56,553)
Advertising and Marketing	(83,315)	(94,163)
Office Rent	(18,639)	(20,069)
Other administrative expenses	(379,461)	(167,401)
Total office and administration expenses	(583,339)	(338,186)

Notes to the Condensed Consolidated Financial Statements

5. TRADE AND OTHER RECEIVABLES

		Consolidated	
		30 Jun 2023	31 Dec 2022
		\$	\$
Current			
Term deposits		1,500,000	-
GST/VAT Receivable		180	31,495
Other receivables		28,084	26,138
		1,528,264	57,633

6. INVESTMENT IN ASSOCIATE

Interests 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	30 Jun 2023 %	31 Dec 2022 %
Skye Napoleon Pty Ltd	Australia	20%	20%
		30 Jun 2023 \$	31 Dec 2022 \$
Reconciliation of the consolidated entity's carrying amount			
Opening balance		449,913	450,000
Share of profit/(loss) after income tax		(160)	(87)
Closing balance		449,753	449,913

7. 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	
		30 Jun 2023	31 Dec 2022
		\$	\$
Opening balance		537,425	632,999
Additions during the period		5,307,991	1,500,689
Contributions from Partner ⁽¹⁾		(5,110,871)	(398,918)
Bonus payment from Partner		-	(1,210,046)
Foreign exchange movement		19,269	12,701
Closing balance		753,814	537,425

⁽¹⁾ The Company has a Farm-in agreement with Talon Energy Limited (Talon) in which Talon has funded the initial US\$1.5 million of exploration costs (Stage 1) and has funded a further US\$3.15 million (Stage 2) in return for a 33% interest in the Gurvantes XXXV Project.

Notes to the Condensed Consolidated Financial Statements

8. PROPERTY, PLANT AND EQUIPMENT

	Consolidated	
	30 Jun 2023	31 Dec 2022
	\$	\$
Plant and equipment - at cost	332,746	42,891
Less: Accumulated depreciation	(37,370)	(25,688)
	295,376	17,203
Motor vehicles - at cost	202,518	171,213
Less: Accumulated depreciation	(17,521)	(10,921)
	184,997	160,292
Furniture and fixtures - at cost	17,774	8,849
Less: Accumulated depreciation	(2,207)	(1,514)
	15,567	7,335
Land improvements - at cost	22,128	-
Less: Accumulated depreciation	(545)	-
	21,583	-
Total property, plant and equipment	517,523	184,830

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	Land improvement	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2022	49,375	61,909	9,709	-	120,993
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)
Balance at 31 December 2022	17,203	160,292	7,335	-	184,830
Additions	412,756	39,055	15,540	32,573	499,924
Depreciation	(8,710)	(9,708)	(955)	(802)	(20,175)
Transfer to joint operation partner	(136,759)	(9,521)	(6,760)	(10,631)	(163,671)
Foreign exchange movement	10,886	4,879	407	443	16,615
Balance at 30 June 2023	295,376	184,997	15,567	21,583	517,523

Notes to the Condensed Consolidated Financial Statements

9. ISSUED CAPITAL

Ordinary shares	Consolidated			
	30 Jun 2023 Shares	31 Dec 2022 Shares	30 Jun 2023 AUD	31 Dec 2022 AUD
Movements in share on issue				
Beginning of the period	4,637,500,000	3,480,000,000	12,804,079	12,804,079
Share Issued				
Capital raise ⁽¹⁾	393,079,300	-	5,699,678	-
Class A Performance Shares	-	600,000,000	-	-
Class C Performance Shares	-	400,000,000	-	-
Class A Performance Rights	-	57,656,250	-	-
Class B Performance Rights	-	61,406,250	-	-
Class C Performance Rights	-	38,437,500	-	-
Capital raising costs ⁽²⁾	-	-	(982,175)	-
Total shares issued	5,030,579,300	4,637,500,000	17,521,582	12,804,079

⁽¹⁾ Share issued on 8 April 2023 at \$0.0145 per share with free attaching option on a 1 for 2 basis at an exercise price of \$0.025 expiring 30 April 2026.

⁽²⁾ Capital raising costs include 65,513,217 options issued to brokers valued at \$664,981.

10. OPTIONS

Options	Consolidated	
	30 Jun 2023 Number	31 Dec 2022 Number
Movements in options on issue		
Outstanding at the beginning of the period	75,000,000	75,000,000
Options issued		
Options issued for share placement ⁽¹⁾	196,539,650	-
Options issued to broker ⁽¹⁾	65,513,217	-
Options issued to Directors ⁽²⁾	25,000,000	-
Outstanding at the end of the period	362,052,867	75,000,000
Listed options	262,052,867	-
Unlisted options	100,000,000	75,000,000
	362,052,867	75,000,000

⁽¹⁾ Options issued on 3 May 2023 are the free attaching option on a 1 for 2 basis for the share placement on 8 April 2023. The options have an exercise price of \$0.025 and expire on 30 April 2026. As part of the share placement, options were issued to brokers as capital raising costs.

⁽²⁾ Options granted to Directors on 20 April 2023 with an exercise price of \$0.025 expiring 30 April 2026.

The weighted average remaining contractual life of options outstanding at the end of the financial year was 2.59 years (31 Dec 2022: 2.13 years).

Notes to the Condensed Consolidated Financial Statements

11. SHARE BASED PAYMENTS

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

	Consolidated	
	31 Dec 2022	31 Dec 2022
	\$	\$
Recognised in the statement of profit and loss		
Share based payment expense (see Note 11(a)(ii))	19,623	961,681
Recognised in the statement of financial position as equity		
Issued share capital (see Note 11(a)(i))	644,981	-
	664,604	961,681

(a) Options Issued

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

(i) Options issued to brokers

On 23 February 2023, 65,513,217 listed options were granted to brokers for the successful share placement in April 2023. These options were issued on 3 May 2023. The options have an exercise price of \$0.025 and expire on 30 April 2026. The options have been valued using the Black Scholes method and determined to have a fair value of \$644,981 using the following assumptions:

- Exercise price of \$0.025
- Volatility of 110%
- Implied life of 3 years
- Risk free rate of 3.20%
- Dividend yield of nil

This share based payment has been recognised as capital raising cost in equity on the statement of financial position.

(ii) Options issued to directors

On 31 May 2023, shareholders have approved the issuance of 25,000,000 unlisted options to directors, which will vest if the director remains as a director of the Company for one year from the date of issue of the options. The options have an exercise price of \$0.025 and expire on 30 April 2026. The options have been valued using the Black Scholes method and determined to have a fair value of \$235,481 using the following assumptions. The expense has been recognised over the vesting period with \$19,623 recognised during the half year ended 31 December 2023.

- Exercise price of \$0.025
- Volatility of 110%
- Implied life of 3 years
- Risk free rate of 3.12%
- Dividend yield of nil

(b) Performance Rights Issued

No performance rights have been issued, exercised or expired during the half year.

12. 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.

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Notes to the Condensed Consolidated Financial Statements

13. RELATED PARTY TRANSACTIONS

(a) 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 30 June 2023	6 months ended 31 Dec 2022
	\$	\$
Sales and purchases of goods and services		
Expenses charged for services from Tsetsen Zantav ⁽¹⁾ and his related entities	488,271	109,852
Outstanding balances arising from sales/purchases of goods or services		
Receivables from Tsetsen Zantav and his related parties	12,100	11,936

⁽¹⁾ 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.

There is no material change in transactions with related parties since the last annual report.

(b) 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 30 June 2023	6 months ended 31 Dec 2022
	\$	\$
Short-term employee benefits	354,795	354,875
Superannuation	13,977	12,646
Annual Leave	9,615	9,191
Share-based payments (note 11)	19,623	491,823
Total KMP compensation	398,010	868,535

Other than disclosed above, there is no other material change in transactions with KMP since the last annual report.

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Notes to the Condensed Consolidated Financial Statements

14. COMMITMENTS

The Company had no commitments at 30 June 2023 (31 December 2022: Nil).

15. CONTINGENCIES

There were no known contingent liabilities or contingent assets at 30 June 2023. (31 December 2022: Nil).

16. EVENTS SUBSEQUENT TO REPORTING DATE

On 4 August 2023, the Group has announced the award of equity incentives for employees and key consultants under the Employee Incentive Securities Plan. The equity incentives are subject to Key Performance Indicators and certain vesting conditions. The award of equity incentives includes 61,00,000 unlisted options and 77,000,000 performance rights. Of the total equity incentives awarded, Mr Brendan Stats, the CEO of the Group, has been awarded 25,000,000 options and 22,500,000 performance rights, and Mr Dougal Ferguson, the COO of the Group, has been awarded 20,000,000 options and 18,000,000 performance rights.

In addition, the total fixed remuneration of Mr Brendan Stats, the CEO of the Group, has been increased to \$350,000 (including superannuation) bringing it more in line with his peers.

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.

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Directors' Declaration

The Directors of the Company declare that:

In the opinion of the Directors:

- (a) The financial statements and notes of the consolidated entity are in accordance with the Corporations Act 2001 and:
 - i. give a true and fair view of the financial position as at 30 June 2023 and the performance for the half-year ended on that date of the consolidated entity
 - ii. comply with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.
- (b) There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors made pursuant to Section 303(5) of the Corporations Act 2001.

On behalf of the Board



Brett Lawrence
Director
Perth, Western Australia
12 September 2022

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of TMK Energy Limited

Report on the Half-Year Financial Report

Conclusion

We have reviewed the half-year financial report of TMK Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2023 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of 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 the audit of the annual 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 the same terms if given to the directors as at the time of this auditor's review report.

Responsibility of the directors for the financial report

The directors of the Company are responsible for the preparation of the half-year 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 half-year financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including giving a true and fair view of the Group's financial position as at 30 June 2023 and its financial performance for the half-year ended on that date and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd



Dean Just

Director

Perth

12 September 2023

