

TALON PETROLEUM LIMITED

Building a Diversified Energy Company

Mongolia South Gobi Coal Seam Gas Project

The next piece of the puzzle...

February 2021



Project overview

Introduction

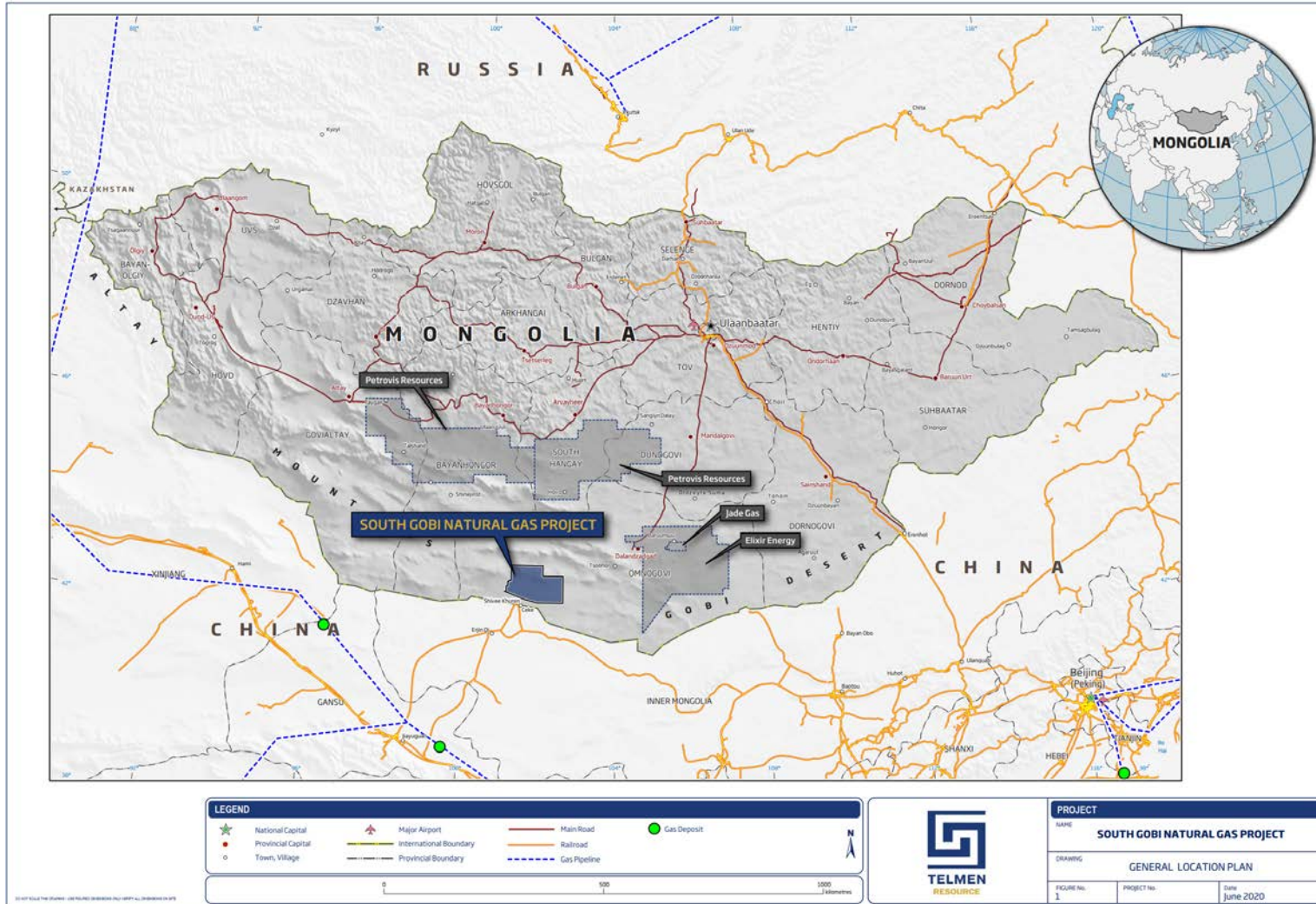
Overview

- Farm-in for a 33% participating interest in the soon to be granted Production Sharing Contract/Agreement located in the South Gobi Basin, onshore Mongolia (**Project**)
- Talon also has a preferential right to increase its participating interest by matching any third party offer for a 3 year period
- Partner and Operator Telmen Resource JSC is a privately owned company solely focused on exploring and developing the Project
- Telmen have Australian and Mongolian Directors and Advisors
- Staged deal structure provides Talon with strong optionality
- Talon Managing Director, David Casey has significant coal seam gas experience and success – over 10 years working on CSG projects in China and former MD of Eastern Star Gas, which was built and ultimately sold to Santos for a total value in excess of \$1 billion



Talon to be at the forefront of the exciting Coal Seam Gas (CSG) industry developing in Mongolia

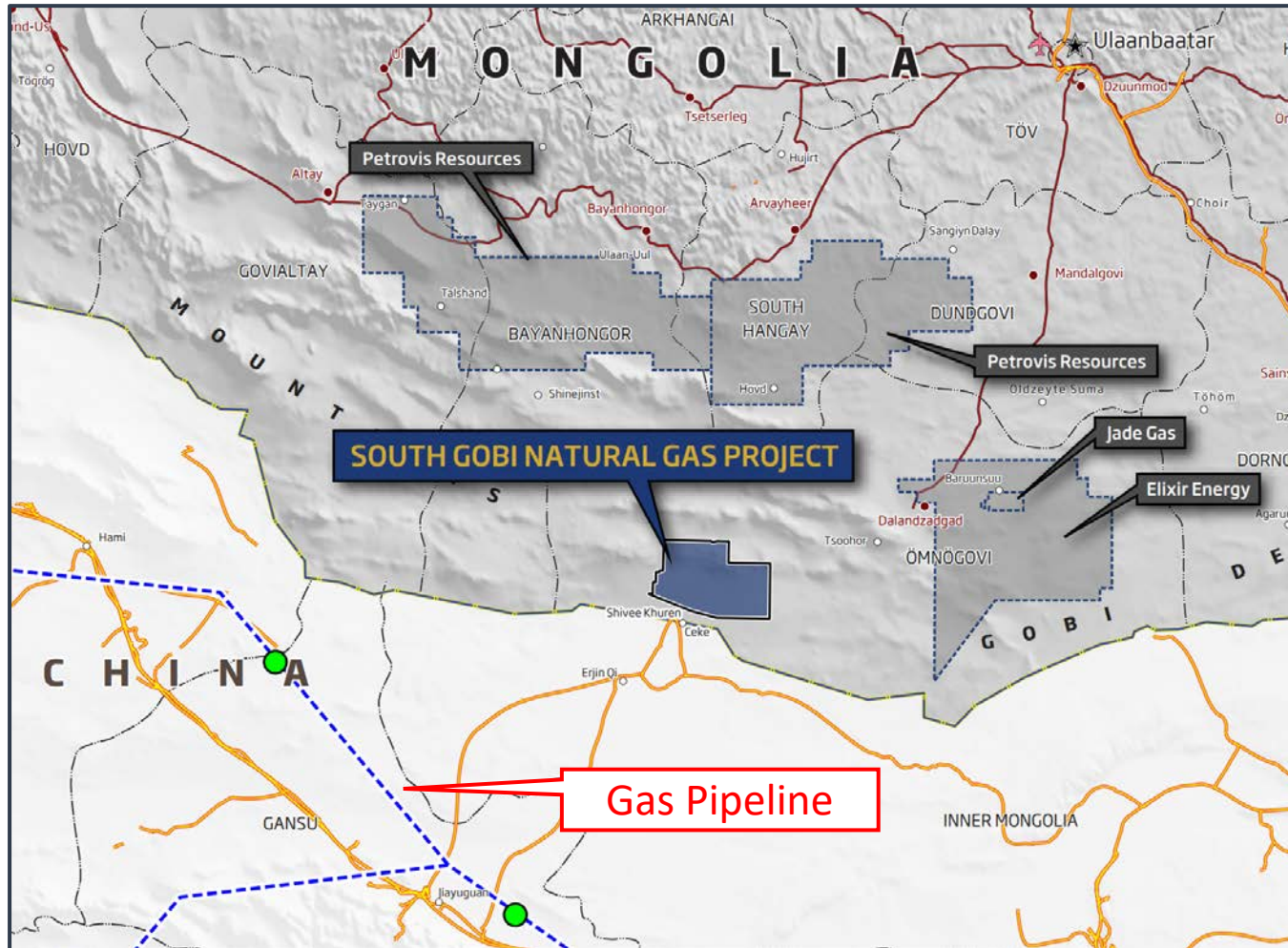
Project Overview



- Large Project area - 8,400km² covering the western portion of the South Gobi Basin
- World class basin hosting multiple very thick (>50m), high-quality, sub-bituminous rank, coal seams extending 160km along strike
- High gas contents ~10m³/t (as received basis) with high methane concentration >98% CH₄
- Very few surface constraints (no private land ownership, flat landscape, no vegetation, no access issues)

Thick coals and high gas contents would support a low-cost high margin opportunity

Project Overview



- Multi TCF resource potential
- Excellent domestic and international gas marketing opportunities :
 - Strong political desire to develop local natural gas industry
 - Multiple large-scale mining operations with high energy requirements nearby
 - Large market for gas in China, with border <20km from Project and existing pipeline network in Northern China

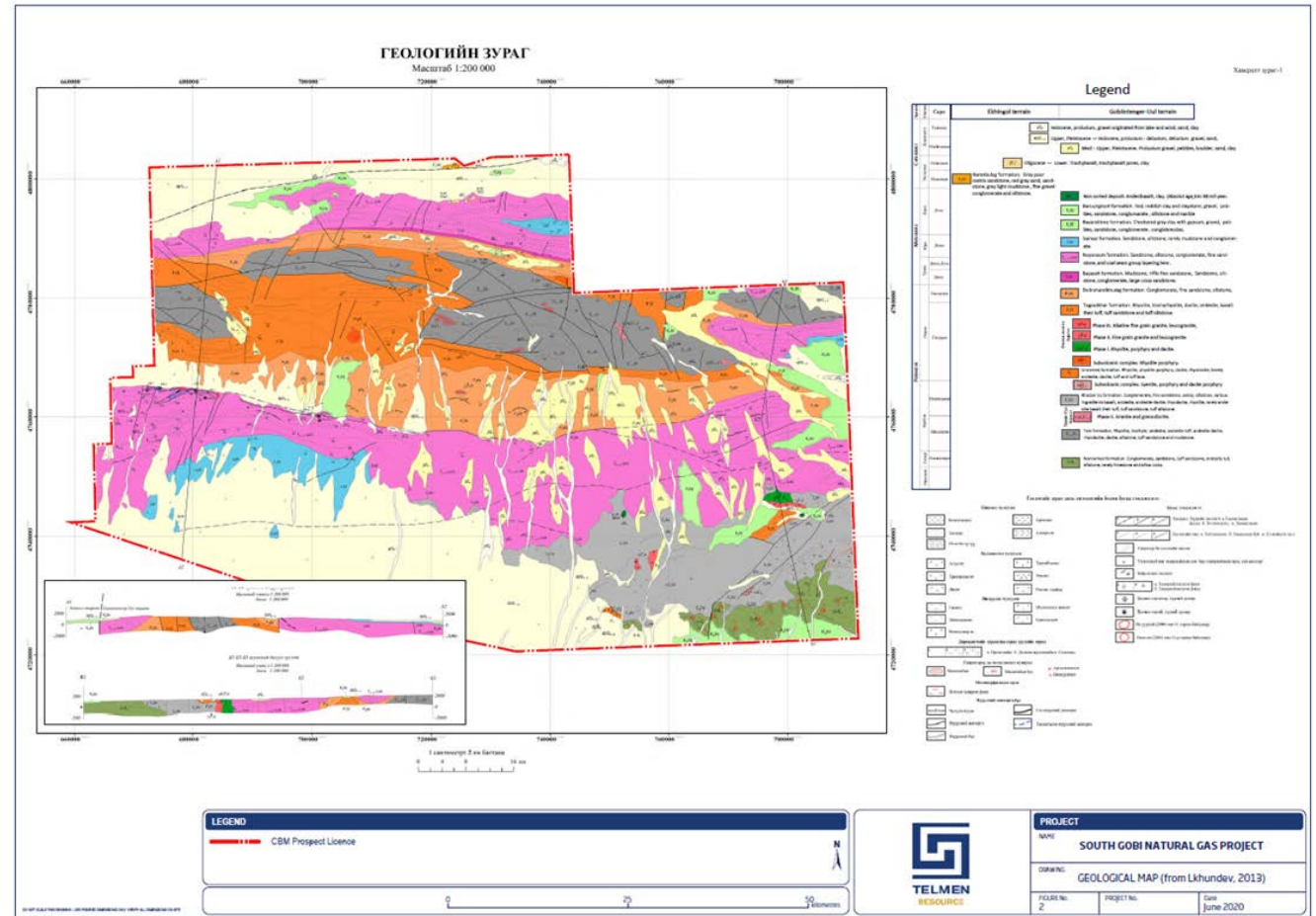
South Gobi Project ideally located to allow for monetization of gas upon success

Project Geology

Geology

Overview

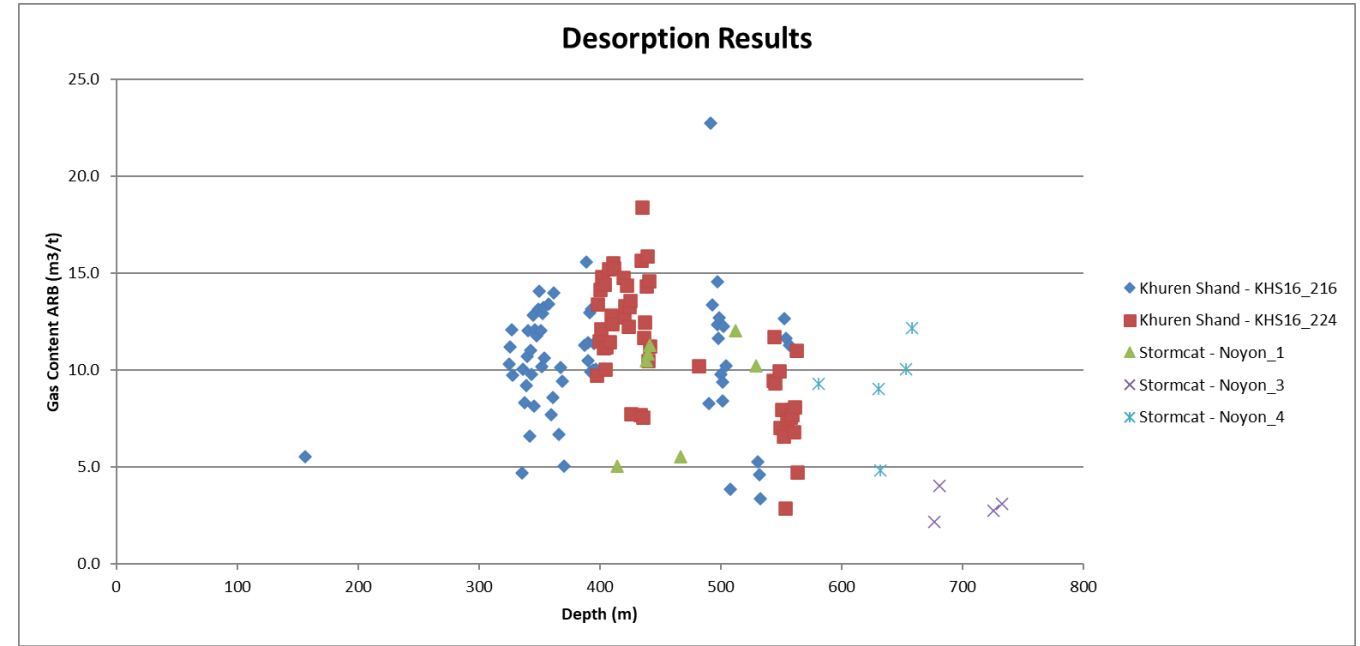
- Significant historical coal mining exploration
 - Telmen has collated approximately 2,500 historical drilling records
 - Extensive geological mapping
- Seismic program undertaken by Telmen demonstrates coal seam continuity in target area
- With coal in excess of 80m to 100m represents some of the world's thickest black coal deposits
- Substantial prospective resource potential and Independent resource report to be prepared
- South Gobi compares favourably with some of the best coal seam gas projects in world



Telmen's extensive data base and unique in country expertise has identified a world class CSG asset

Overview

- Significant historical coal mining exploration
 - Telmen has collated approximately 2,500 historical drilling records
 - Extensive geological mapping
- Preliminary CSG exploration has been completed
 - 5 CSG wells with 131 desorption results and gas composition
 - High gas content $\sim 10\text{m}^3/\text{t}$
 - High methane $>98\%$
 - Sorption isotherm would suggest full gas saturation



Desorption Results: Total Gas Content (as received) against sample depth

Significant Prospective and ultimately Contingent Resource to be unlocked by upcoming exploration program

Ticking the boxes....

Technical parameters required for a commercial CBM Project

Technical Parameter	Assessment	Comment
Area	✓	Total Area 8,400km ² Coal outcrops 160km along strike
Coal Thickness	✓	Multiple very thick (50m+) seams Net coal thickness average 80m
Coal Rank/Quality	✓	Sub-bituminous to Bituminous High Vitrinite, low Ash content - generally conducive to better permeability
Gas Content	✓	Range from 10m³/t - 15m³/t (as received) Based on 131 samples from 5 wells
Gas Composition	✓	>98% Methane Low CO ₂
Gas Saturation	✓	Limited data indicates fully gas saturated More data required
Permeability (k)	TBC	Limited data indicates >20mD which is encouraging More permeability testing undertaken as part of 2021 program
Producibility	TBC	Gas saturated coals provide larger optimal gas window Coals extend from outcrop to over 1000m so greater scope for high k fairways

Full gas saturation provides greater flexibility and allows shallower coals to be targeted to improve gas production

Work Program

Work Program

Work completed to date

- January 2019: Award of Prosecting Agreement
- February 2019 – June 2020: PA work program completed by Telmen
 - Environmental baseline study
 - Gravity Study
 - Compilation of available geological and drilling data
 - 2D Seismic Survey
 - Submission of Exploration Program
 - Environmental Assessment Report
- Production Sharing Contract has been negotiated and awaiting formal award



Telmen have demonstrated an ability to work efficiently and effectively to drive the project forward

Work Program

2021 Exploration Program (Budget US\$1.5M)

- Exploration Drilling - 3,350m partly cored
 - Drilling within defined thick coals (80+m) at Nariin Sukhait
 - Coal samples for gas characterisation and gas composition
 - Complete hydrogeological and permeability studies
 - Prove up area for pilot well program
- 2D Seismic Program (optional)
 - In areas supported by existing drill holes
 - To support planning of exploration and pilot well program targets
 - To develop more confidence in the continuity and structure of the coal sequence
- Book first Contingent Resource
- Concept Study
- Detailed Design of 2022 Pilot Well Program

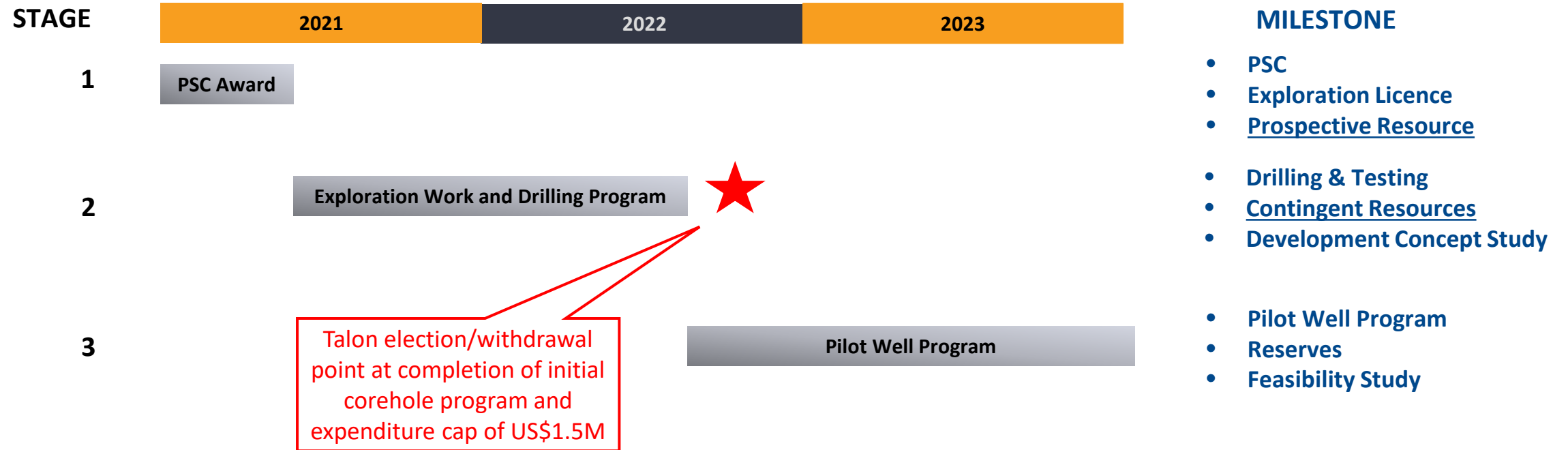


2021 program will represent most efficient return on capital per resource “booked”

Work Program

Indicative Timeline

First Contingent Resource estimate by end 2021...



The foundations are in-place to hit the ground running on award of the PSC

Gas Markets

Export Market

- Presently, Mongolia does not export natural gas from Mongolia and the emerging Coal Seam Gas industry represents an excellent opportunity for Mongolia to develop a new export industry
- Chinese border less than 20km from Project and Telmen closest project to West-East Gas Pipeline
- Gas network already in place in Northern China
- China has enormous current demand for natural gas which is only expected to grow, particularly given China's stated energy mix and pollution reduction targets
- Telmen has commenced initial sales discussions with Chinese companies and following positive feedback will re-engage after award of PSC/A

Local Market

- MoU signed by Telmen with Mongolian gas distributor
- Market exists for onsite heat and power generation to supply large industrial sites and mining projects
- Mining projects account for ~40% of Mongolian energy consumption
- Large mining projects located in South Gobi region – Oyu Tolgoi, Tavaan Tolgoi and South Gobi Coal Mines

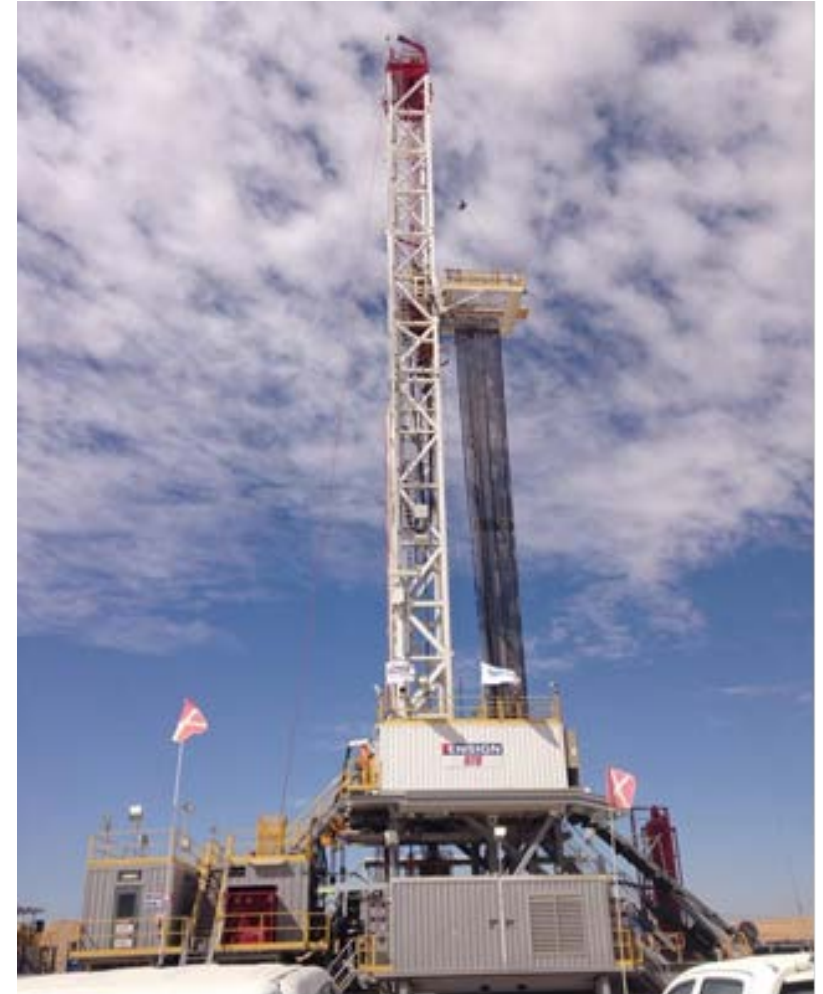
South Gobi gas will have significant price advantage over current suppliers to China

Company Investment Catalysts

Company Investment Catalysts

The next 12 months will be a gamechanger for Talon...

- ✓ Book independent Multi TCF Prospective Resource for Mongolia
 - Booked following award of PSA
- ✓ Book Prospective Resource for Muchea (EP494)
- ✓ UK North Sea farmout
 - Despite COVID delays companies still engaged in process
- ✓ Commence multi-corehole drilling program in Mongolia
 - Regular newsflow and updates
- ✓ Drill Walyering-5 in EP447
 - Book Contingent Resource
 - Significant Muchea (EP494) upside on success
- ✓ Book independent Contingent Resource for Mongolia



Talon's diversified portfolio provides numerous investment catalysts and deliberately avoids single asset risk

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