

## MONGOLIA - GURVANTES XXXV PSA APPROVED

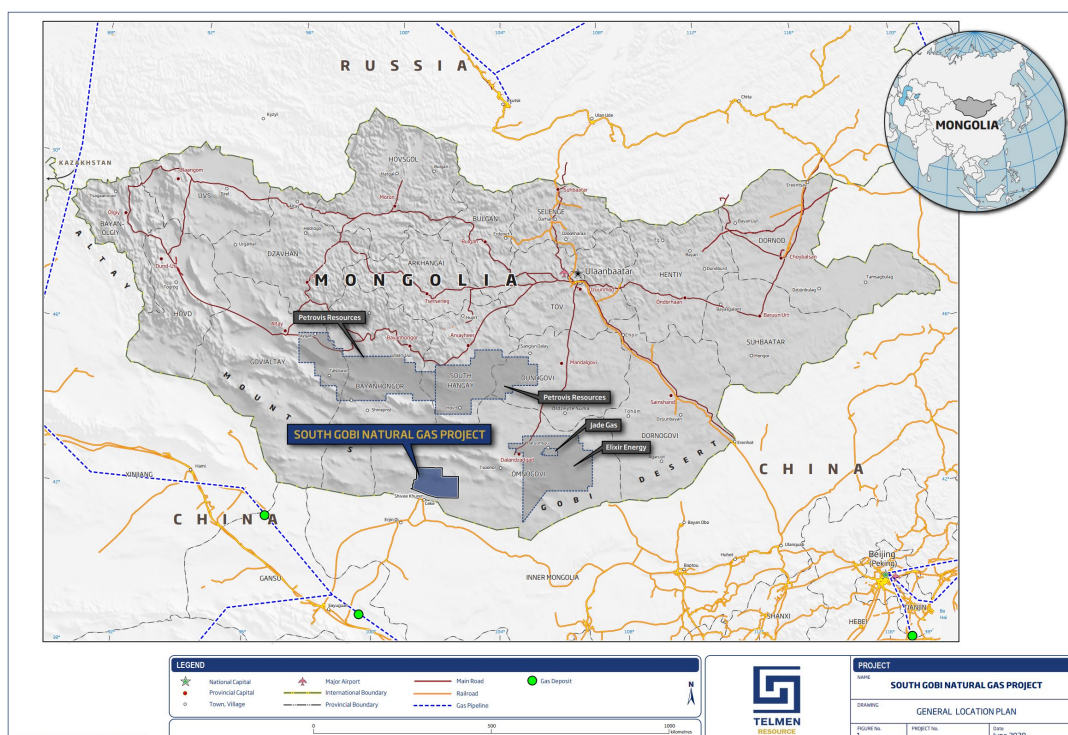
- Gurvantes XXXV Production Sharing Agreement (PSA) in Mongolia approved by Cabinet
- Gurvantes XXXV covers 8,400km<sup>2</sup> in one of the most prospective coal seam gas basins globally
- Formal Farm-in and Joint Operating Agreements being prepared for execution by Telmen and Talon
- Preparation of initial independently certified Prospective Resource underway

**Talon Energy Limited (Talon or the Company)** is pleased to advise that it has received formal notification from Telmen Resource JSC (**Telmen**) that the Gurvantes XXXV coal bed methane (**CBM**) Production Sharing Agreement (**PSA**) with Telmen was approved at a meeting of the Mongolian Cabinet on 7 July 2021. The Mineral Resources and Petroleum Authority of Mongolia (**MRPAM**) has been instructed by the Ministry of Mining and Heavy Industry to formally execute and issue the PSA, and this is expected to occur in the coming weeks.

The receipt of Cabinet approval had been delayed by the ongoing COVID-19 situation in Mongolia, which as in most countries, has been prioritised by the Mongolian government. As a result of these delays, and as consideration for Telmen agreeing to extend the exclusivity period relating to Talon's farm-in, Talon has agreed to issue Telmen 100,000,000 options to acquire Talon shares at an exercise price of \$0.01 each upon the formal issuance of the PSA. Further details of the terms of the options are set out below.

### Gurvantes XXXV Overview

The Gurvantes XXXV PSA covers a significant area of 8,400km<sup>2</sup> and is in, what is considered one of the most prospective coal seam gas basins globally. Gurvantes XXXV is situated less than 20km from the Chinese-Mongolian border and close the extensive Northern China gas transmission and distribution network. It is also proximate to several large-scale mining operations with high energy needs. Gurvantes is therefore ideally placed for future gas sales to satisfy both local Mongolian, as well as Chinese, energy requirements.



**Commenting on the approval of the PSA, Talon's Managing Director, David Casey said:** "We are very pleased to be moving forward with our partner Telmen Resource JSC in Mongolia. Planning for initial exploration work on Gurvantes XXXV is well underway, as is preparation of an independently certified Prospective Resource, where we expect to see multi-TCF potential. Alongside the Operator, Telmen, we look forward to undertaking our first exploration work with a view to booking Mongolia's largest gas Contingent Resource.

Finally, we would like to thank Telmen and the Mongolian authorities for continuing to manage the challenges associated with ongoing COVID restrictions and lockdowns to get us to this point, and the start of what we believe will be a significant 12 months for the Gurvantes XXXV Project and more broadly, the emerging Mongolian Coal Bed Methane Industry."

#### **Exploration work to commence as soon as possible**

Under the terms of the proposed Farm-in Agreement with Telmen, Talon will have an option to earn a 33% participating interest in Gurvantes XXXV by paying 100% of the costs of an agreed budget for an initial exploration work program (including the drilling of at least 4 core holes) of up to an amount of US\$1,500,000 (**Initial Work Program**). Work on the Initial Work Program is expected to commence shortly, upon the formal issuance of the PSA.



Gas content measurement canisters have been shipped from Australia to Mongolia

#### **Key terms of Options to be issued to Telmen**

1. Grant: On execution of a Farm-in and Joint Operating Agreement, and Formal Issue of the Gurvantes XXXV PSA
2. Number of Options: 100,000,000
3. Exercise price: \$0.01 each
4. Expiry date: 3 years from the date of grant
5. Vesting condition: Options vest (that is, be capable of being exercised and converted into shares) on completion of the Initial Work Program

**This Announcement is authorised for lodgement by the Managing Director.**

For further information, please contact:

**Talon Energy Limited**  
David Casey  
Managing Director & CEO  
+61 8 6319 1900  
[david@talonenergy.com.au](mailto:david@talonenergy.com.au)

**Media Enquiries**  
Angela East  
Media and Capital Partners  
+61 428 432 025  
[angela.east@mcpartners.com.au](mailto:angela.east@mcpartners.com.au)