

Company Activity Update

Perth Basin

- Walyering-6 appraisal well intersects gas accumulations following on from the success of Walyering-5 drilling and flow testing
- Development work for the Walyering Project progressing, including production facility Front-End Engineering and Design (FEED) and field Resource update

Mongolia

- Positive preliminary results from the Gurvantes XXXV drilling campaign's 1st core hole, with gas content expected to be at the upper end of the previously indicated range of 7.5m³/t – 12.5m³/t on an as received basis
- Drilling of the 2nd core hole in the 4-hole maiden drilling campaign has commenced, targeting 2 coal seams intersected by the maiden drill hole, Snow Leopard-1

Talon Energy Ltd (Talon or the Company) is pleased to provide an update on its drilling and evaluation activities at the Walyering Conventional Gas Project located in the Perth Basin, and the Gurvantes XXXV CSG Project in Mongolia.

Commenting on the activity update, Talon's Managing Director & CEO, Colby Hauser, said: *"The past three months have been a period of high activity for Talon across our Perth Basin and Mongolian asset portfolio. Our maiden drill program at Walyering has produced excellent results and the Joint Venture is working towards being in a position to make a near term development decision. The strong flow test results to date, combined with the high-quality of the gas encountered and proximity to infrastructure, position Walyering as a low-cost, quick to market development allowing Talon to efficiently complete the transition from explorer to producer."*

In addition to the success at Walyering, results received to date from the Gurvantes XXXV drilling program whilst preliminary, have been very encouraging, and we expect to see more positive results from the remaining test work from Snow Leopard-1. Following on from the drilling Snow Leopard-1, we recently commenced drilling at Snow Leopard-2, the 2nd of our 4 core hole program at Gurvantes XXXV. Drilling is progressing well, and we look forward to results in the coming weeks which will give us a greater understanding of the potential for this exciting CSG opportunity."

Walyering Conventional Gas Project

Drilling

The Walyering Gas Project is located in the onshore area of the Perth Basin approximately 150km north of Perth Western Australia. Talon holds a 45% interest in the Joint Venture which is operated by Strike Energy Limited (ASX:STX) (55% interest).

Following on from the successful drilling and flow testing of the Walyering-5 well, drilling of the Walyering-6 well commenced in late April 2022, with the well intersecting a number of gas accumulations in the Cadda Formation sandstones, and the deeper Cattamarra Sand. The intersection of gas in the Cadda Formation, a conventional sandstone reservoir, at ~2,683m (MD) represents a new net gas pay discovery. The intersected reservoir was observed to have a strong gas charge over a 4m net gas pay, with preliminary results obtained from drilling samples showing porosities averaging 20%, with high permeability (up to 220mD) and measured pressures of 3,827 psi.

Walyering-6 also intersected 4 sandstone formations yielding ~21m of net gas pay primarily in the B and C Sands (intersected at 3,309m and 3,389m Measured Depth respectively), with the higher A Sands displaying low gas saturation, indicative of a breached the reservoir seal.

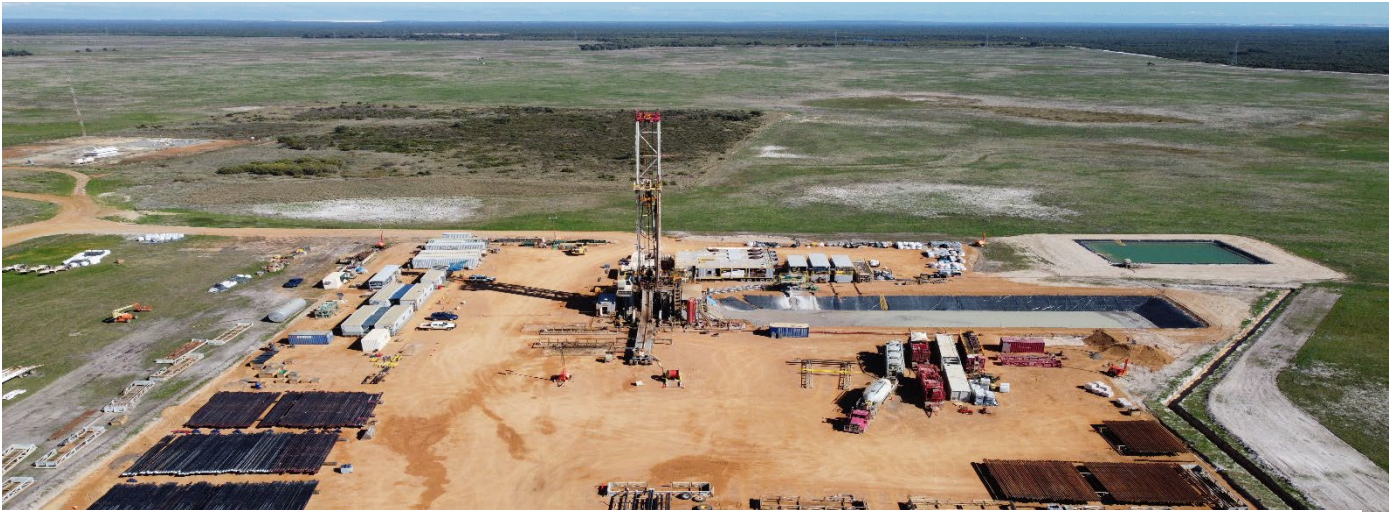


Image 1. Drilling of Walyering-6 (with Parmelia pipeline compressor station top left)

Walyering-5 Test Results

Flow testing recently undertaken on the Walyering-5 well, by the JV Operator, Strike Energy, has yielded positive results for the Project with the both the peak (75mmscf/d), and stabilised co-mingled (67mmscf/d) flow rates exceeding initial expectations (refer to Table 1 below).



Image 2: Flow testing at Walyering-5

Flow testing results for Walyering-5 and Walyering-6 (once completed) will feed into the revised Walyering Resource estimation currently being undertaken by RISC Advisory, and is expected to deliver Talon's maiden Gas Reserve estimate.

Table 1: Walyering-5 Well Results

Reservoir	Interval Top TVDss (-m)	Average Porosity (%)	Perf interval (m)	Reservoir Pressure (Est. psi)	Peak Rate (mmscfd)	Stabilised Rate (mmscfd)	Choke Setting (")	FWHP (psi)	Length of Test (hrs)	Est. connected resource (PJ) ¹
A Sand	2,969	17.3	16	4,388	59	52	64/64	2557	>24	31
B Sand	3,045	14.5	32	4552	32	28	48/64	2175	>24	24
C Sand	3,154	16.4	10	4,850	32	27	48/64	2083	>24	
D Sand	3,212	13.9	18	4,655	13	10	48/64	813	>24	5
Comingled Flow	-	15.4	76	-	75	67	72/64	2,634	~3	60

1. Estimated connected volume in place have been calculated based on Strike Energy Limited reservoir engineering analysis of well test data and does not constitute a resource estimate for the purposes of the Petroleum Resources Management System 2018, BCF to PJ energy conversion factor of 1.2x was used based on the sweetness and negligible impurity of the Walyering gas stream. (refer Strike Energy Limited ASX Announcement dated 16 May 2022 and titled "Walyering appraisal, Discovery & Testing Results")

Development Outlook

As announced on 26 April 2022 by Strike, Momentum Engineering was awarded the Front-End Engineering and Design (**FEED**) and detailed design contract for the upstream processing facility and pipeline infrastructure for the Walyering Project.

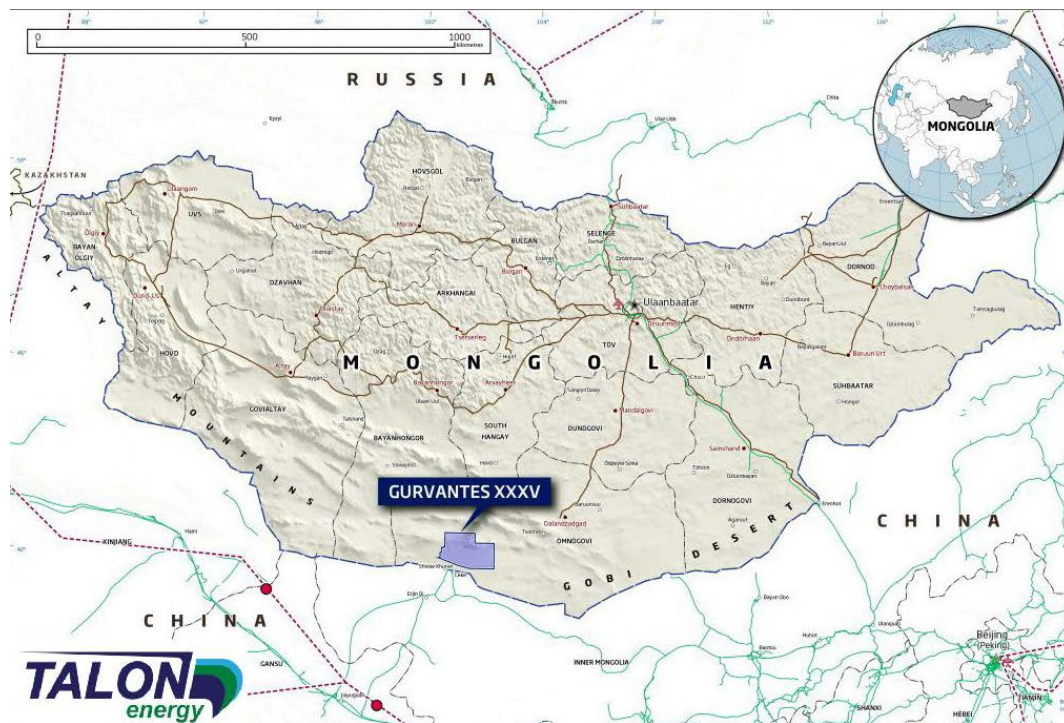
With the drilling of Walyering-6 now complete, and flow testing expected to commence in June 2022, the results of these tests will be used by the Joint Venture to inform final plant sizing and ultimately a final investment decision.

With work on both FEED and Reserves and Resource certification well advanced, Strike has also been developing contracting and procurement strategies to secure long lead items required to streamline the construction phase of development.

Gurvantes XXXV Coal Seam Gas Project

The Gurvantes XXXV CSG Project is located in Southern Mongolia and is currently 100% owned by TMK Energy Limited (ASX:TMK). As part of the Farm-In Agreement signed with TMK subsidiary, Telmen Resource LLC, in February 2021, Talon is funding the initial 4 core hole drilling program to earn a 33% interest in the Gurvantes XXXV Production Sharing Agreement (PSA).

The Gurvantes XXXV PSA covers a significant area of 8,400km² 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 to 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.



Drilling of the initial core hole, Snow Leopard-1, commenced in mid-March, with the drilling campaign designed to test a number of high impact targets as the first stage in the process of upgrading a portion of the Gurvantes XXXV Project's independently certified 5.96 TCF (2U risked) Gross Prospective Resource to a maiden Contingent Resource in the second half of 2022.

Snow Leopard-1, drilled to end depth of 675 metres, intercepted 44 net metres of gassy coal in the upper coal seam between 406m and 461m, and a further 15.5 metre in the lower coal seam (~60m of net gas pay in total). Initial core analysis has yielded high gas content in the order of 7.5m³/t to 12.5m³/t on an as received basis, and high gas saturation. Gas composition sampling and chromatography testing has confirmed high methane (CH₄) levels between 94.4% and 98.8% (averaging 96.0%) and low CO₂ values between 0.3% and 5.1% (averaging 3.0%). Visual inspection

of the core identified a well-developed cleat system of naturally occurring fractures which is a positive indicator of increased permeability.

Initial Drill Stem Testing and Injection Fall Off Testing over selected intervals of the drill hole has supported the interpretation of high gas saturation. Analysis of core from Snow Leopard-1 is ongoing, including the preparation of core to be shipped to Australia for adsorption isotherm and petrographic analysis in order to gain additional information with regards to gas saturation, coal composition and rank.

The second core hole of the planned 4 core hole campaign, Snow Leopard-2, commenced drilling approximately 5km east of Snow Leopard-1 and is drilling to a target depth of 600m, targeting the same formation that were encountered in Snow Leopard-1, with a further two fully cored holes are planned to be drilled and tested over the coming month. Following completion of the four hole drilling program, data collected will be collated and analysed to assist in the engineering and design of a pilot well program, expected to commence in the later part of 2022.

This Announcement is authorised for lodgement by the Managing Director.

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