

Drilling Contract signed for Gurvantes XXXV Pilot Well Program

- Gurvantes Joint Venture signs contract with Mongolian subsidiary of TSX listed Canadian drilling company, Major Drilling Group, for 3 production wells for the upcoming Pilot Well program.
- Drilling operations are forecast to commence within 90 days, with the drilling of the 3 production wells expected to take 2 months to complete.
- Reservoir modelling completed by SLB (Schlumberger), with initial modelling predicting early gas breakthrough and relatively high production rates for global CSG wells.
- Pilot Well Program primarily funded by Talon Energy pursuant to its farm-in agreement with TMK Energy.

Talon Energy Ltd (ASX:TPD) (Talon or the Company) is pleased to announce that the Gurvantes XXXV Joint Venture has signed a drilling contract with the Mongolian subsidiary of Canadian TSX listed drilling company, Major Drilling Group International Inc. (Major Drilling) (TSX:MDI) to drill 3 Pilot Wells at the Gurvantes XXXV Coal Seam Gas Project located in southern Mongolia.

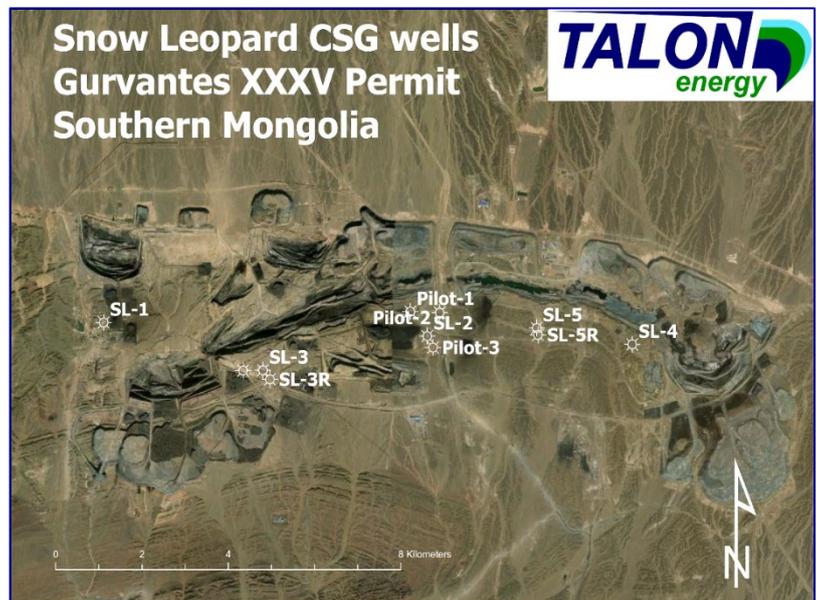
The Pilot Well program is the 2nd Stage of the planned drilling program at Gurvantes XXXV and follows on from the successful Stage 1, 7 core hole exploration drilling program undertaken in 2022, which resulted in the independent certification of a ~1.2 Tcf 2C (best estimate) Contingent Gas Resource for Gurvantes XXXV in November 2022¹.

The 3 Well Pilot Program will be drilled in proximity to the Snow Leopard 2 core hole, in which the test results indicated high gas content ~9.3m³/t and coal permeability of 47 mD². TMK Energy Ltd (ASX:TMK), Operator of the Joint Venture, advises that modelling undertaken by SLB (formerly Schlumberger) has shown positive indications on both early gas breakthrough and production rates. The modelling is currently being analysed in detail by TMK and Talon but provides the Venture a high degree of confidence in achieving a successful outcome from the pilot well program.

Over an 8-week period, the production wells will be drilled and tied into the surface facilities, which include metering skids, a flare stack and water disposal facilities. The wells will be 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 of each well. The Venture is also undertaking work to determine the economics of either the JV using gas brought to surface in its operations, or in power generation for nearby mining operations, rather than flaring the gas.

In addition to the pilot well program, the JV is planning to drill a further 8 exploration wells to further expand the current Resource estimate within the permit. Importantly, 7 of the 8 planned wells will be drilled outside of the Nariin Sukhait area, the location of the Stage 1 drilling program.

In December 2022, Talon exercised an option to take a 33% interest in the Production Sharing Agreement over the Gurvantes XXXV Project, and entered into a Joint Venture with ASX Listed energy company TMK Energy Limited, who hold the balance of the interest (67%) and is Operator of the Gurvantes JV.



¹ Refer Talon ASX Announcement dated 9 November 2022, titled "Maiden Gurvantes XXXV Contingent Resources Certification".

² Refer Talon's September 2022 Quarterly report released on 31 October 2022

Talon's Managing Director & CEO, Colby Hauser, commented: *"Following on from an excellent initial exploration campaign that yielded a 1.2 Tcf 2C Contingent Resource (gross), we are pleased to formally kick off the next stage of appraisal, in the drilling and completion of a 3 well pilot program. Having observed high gas content and excellent permeability in the coals we are confident in producing gas to surface and proving the commercial viability of the project."*

This Announcement was authorised for release by the Managing Director.

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