



ASX ANNOUNCEMENT

11 OCTOBER 2023

Talon and TMK agree to consolidate ownership of the Gurvantes XXXV Project

TMK Transaction

- Binding heads of agreement executed with TMK Energy Limited ("**TMK**") to consolidate ownership of the Gurvantes XXXV Project to TMK.
- The gross consideration for Talon's earned rights is up to 1,100,000,000 fully paid ordinary shares in TMK ("**Shares**") and up to 550,000,000 listed options in TMK on the same terms as that of the TMK options that currently trade under the ticker TMKOB (exercisable at \$0.025 on or before 30 April 2026) ("**Listed Options**").
- The TMK Shares and Listed Options are to be distributed in specie to Talon shareholders following successful completion of the transaction (apart from the Shares and Listed Options to be retained by Talon and subject to any adjustment to the consideration required at settlement under the final completion mechanics).
- The TMK Shares and Listed Options to be distributed in specie to Talon shareholders currently implies:
 - Approximately \$0.020 per Talon share;
 - Approximately 1.56x TMK Shares per 1 TPD share held; and
 - Approximately 0.78x TMK Listed Options per 1 TPD share held.
- Talon's board of directors unanimously recommends that Talon shareholders vote in favour of the proposed transaction with TMK.
- Each director of Talon intends to vote all Talon shares they hold or control in favour of the proposed transaction with TMK at an extraordinary general meeting, which is expected to take place in late November 2023.
- The proposed transaction with TMK was considered against a potential de-merger and spin-out transaction for Talon shareholders. The Talon board considered the transaction with TMK was, on balance, superior to the de-merger and spin-out scenario considering various quantifiable and qualitative factors.
- An investor webinar will be conducted in the coming days to provide shareholders with further details of the TMK Transaction and an update on the progress of the Strike Scheme Transaction; more details to come.

1 Based on the last closing price of TMK shares of \$0.011 per share and TMKOB of \$0.003. Based on Talon's undiluted ordinary shares of 645,997,893. Assumes approximately 1.009 billion TMK Shares and approximately 504.5 million TMK Listed Options are distributed in specie to Talon shareholders.

Strike Scheme Transaction

- The proposed transaction with TMK does not impact or change the scheme consideration that Talon shareholders could receive under the proposed scheme of arrangement between Talon and Strike.
- Talon and Strike have executed a restated and amended scheme implementation deed on 10 October 2023 ("**Revised SID**") to reflect and enable the proposed Transaction with TMK as described in this release.
- Please refer to the separate Talon announcement made today regarding the amended and restated deed with Strike.
- The Directors of Talon unanimously recommend that Talon shareholders vote in favour of the Strike scheme in the absence of a Superior Proposal (as defined in the Revised SID) and subject to the Independent Expert concluding and continuing to conclude in its final Independent Expert's report that the revised Scheme is in the best interests of Talon shareholders.

TMK Transaction overview

Talon Energy Limited (ASX: TPD) ("**Talon**" or the "**Company**") and TMK Energy Limited (ASX: TMK) ("**TMK**") are pleased to announce that both parties have executed a binding headings of agreement ("**Binding Agreement**") pursuant to which TMK will retain Talon's 33% earned interest in the Gurvantes XXXV Project ("**Project**") via the acquisition of Talon's wholly owned subsidiary, Talon Energy Pte. Ltd. ("**Transaction**").

TMK Transaction consideration

The gross consideration for Talon's earned rights is up to 1,100,000,000 fully paid ordinary shares in TMK ("**Shares**") and up to 550,000,000 listed options in TMK on the same terms as that of the TMK options that currently trade under the ticker TMKOB (exercisable at \$0.025 on or before 30 April 2026) ("**Listed Options**").

It is proposed that following completion of settlement of the Transaction, Talon will undertake an in-specie distribution of up to approximately 1.009 billion TMK Shares and up to approximately 504.5 million TMK Listed Options to Talon shareholders on a record date to be determined, subject to any adjustment to the consideration required at settlement under the final completion mechanics.

Approximately 90.982 million TMK Shares and approximately 45.491 million TMK Listed Options will be retained by Talon, some of which may be distributed to Talon's advisers to satisfy certain transaction costs resulting from the Transaction, such amount to be determined at the sole discretion of the Talon board.

Under the Transaction, Talon is to commit up to A\$850,000 in cash (less costs incurred in connection with the disposal of Talon's interest in the Project or the Transaction and certain other costs and funding provided for the benefit of Talon's Mongolian operations and assets, including the Project, by Talon during the disposal/scheme process) to satisfy Talon's obligations to contribute to any funding for expenditure or other commitments under the project agreements associated with the Project for the period commencing on 1 September 2023 and ending on completion of settlement of the Transaction.

Alternative de-merger and spin-out scenario

The proposed transaction with TMK was considered against a potential de-merger and spin-out transaction for Talon shareholders. The Talon board considered the proposed transaction with TMK was, on balance, superior to the de-merger and spin-out scenario considering various quantifiable and qualitative factors.

One of the key factors the Talon board considered was the material uncertainty as to whether the spin-out entity would be successfully listed on the ASX and therefore any spin-out entity would have initially been an unlisted, public company. In those circumstances, there would not be an active market for shares in the spin-out entity. The spin-out entity would have also required further funding which the board considered against the logical consolidation transaction with TMK.

Talon's Managing Director, Colby Hauser, commented: *"This consolidation is a logical transaction and compelling opportunity to create value for both sets of shareholders by unlocking important synergies in the exploration and development of the Gurvantes Project. Assuming the TMK Transaction completes, Talon shareholders will continue to have a material interest in the upside associated with Gurvantes, while at the same time mitigating the liquidity and funding risks that would have existed in the unlisted spin-out structure."*

"The Talon board believes that the TMK Transaction is in the best interests of Talon shareholders and unanimously recommends it to our shareholders."

Strategic rationale

Assuming completion of the Transaction, the key benefits of the Transaction include:

- ✓ Talon shareholders retain exposure to Gurvantes via proposed equity and listed option holding in TMK Energy
- ✓ Delivering cost synergies by simplifying ownership and streamlining management of the Project
- ✓ Consolidating 100% ownership of Gurvantes into a single entity provides TMK with full optionality to advance the asset to the benefit of the combined shareholders.

Transaction conditions

The Transaction is subject to a number of conditions precedent, including:

- Approval being obtained from TMK shareholders for the issue of the Shares and Listed Options;
- Approval being obtained from Talon shareholders for the in-specie distribution; and
- The parties obtaining all necessary corporate, governmental, regulatory and third-party approvals, consents and waivers to complete the Transaction.

The Transaction is not conditional on completion of the proposed scheme of arrangement between Talon and Strike Energy Limited ("**Strike**").

Voting intention statements

TMK's largest shareholder, Tsetsen Zantav, who has a relevant interest in TMK of ~32.06%, has confirmed to TMK that he intends to vote in favour of the Transaction at the planned TMK shareholder meeting required as part of the Transaction.

In addition, each director of TMK intends to vote all TMK shares they hold or control in favour of the Transaction at the planned TMK shareholder meeting required as part of the Transaction.

Variation to the Strike scheme implementation deed

Talon and Strike have executed a restated and amended scheme implementation deed on 10 October 2023 (“**Revised SID**”) to reflect and enable the proposed Transaction with TMK as described in this release.

Other than certain minor amendments to allow for the proposed Transaction with TMK, the Revised SID is in substantially the same form as the original scheme implementation deed released to the market on 14 August 2023.

Please refer to the separate Talon announcement made today regarding the Revised SID with Strike.

Indicative Timetable and Next Steps

Talon shareholders will be asked to approve the TMK Transaction (50% approval threshold) at an extraordinary general meeting (“**EGM**”), which is expected to take place in late November 2023, and which will be separate to any scheme meeting convened in accordance with the Revised SID.

Further details in relation to the TMK Transaction will be provided by Talon to its shareholder in due course. The notice of meeting is expected to be sent to Talon shareholders by late October 2023.

The indicative timetable for the TMK Transaction is as follows:

Event	Indicative timing
Despatch of Talon meeting materials and TMK meeting materials	Late October 2023
Talon EGM and TMK EGM	Late November 2023

The timetable is indicative only and remains subject to change at the Company’s discretion, subject to compliance with applicable laws and the ASX Listing Rules. An investor webinar will be scheduled and announced shortly.

Talon’s financial advisers are Sternship Advisers and RBC Capital Markets, and its legal adviser is Steinepreis Paganin.

This announcement has been approved and authorised for release by the Board of Talon Energy Limited.

For further information, please contact:

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