

TALON SECURES OPTION FOR MONGOLIAN COAL BED METHANE PROJECT; RAISES \$5M IN OVERSUBSCRIBED PLACEMENT TO FUND WORK PROGRAMS

- **Talon to earn a 33% interest in soon-to-be-granted Production Sharing Agreement over the Gurvantes XXXV Field, located onshore Mongolia**
- **\$5m raised in strongly supported placement – All key commitments funded**
- **Talon set to become a leader in the emerging Mongolian coal bed methane (CBM) industry**
- **Unique opportunity secured to leverage its significant Australian and international CBM/coal seam gas experience to assist Telmen in achieving its aim of being Mongolia's premier gas producer**
- **Gurvantes XXXV is a top-tier exploration opportunity in a world class CBM basin**

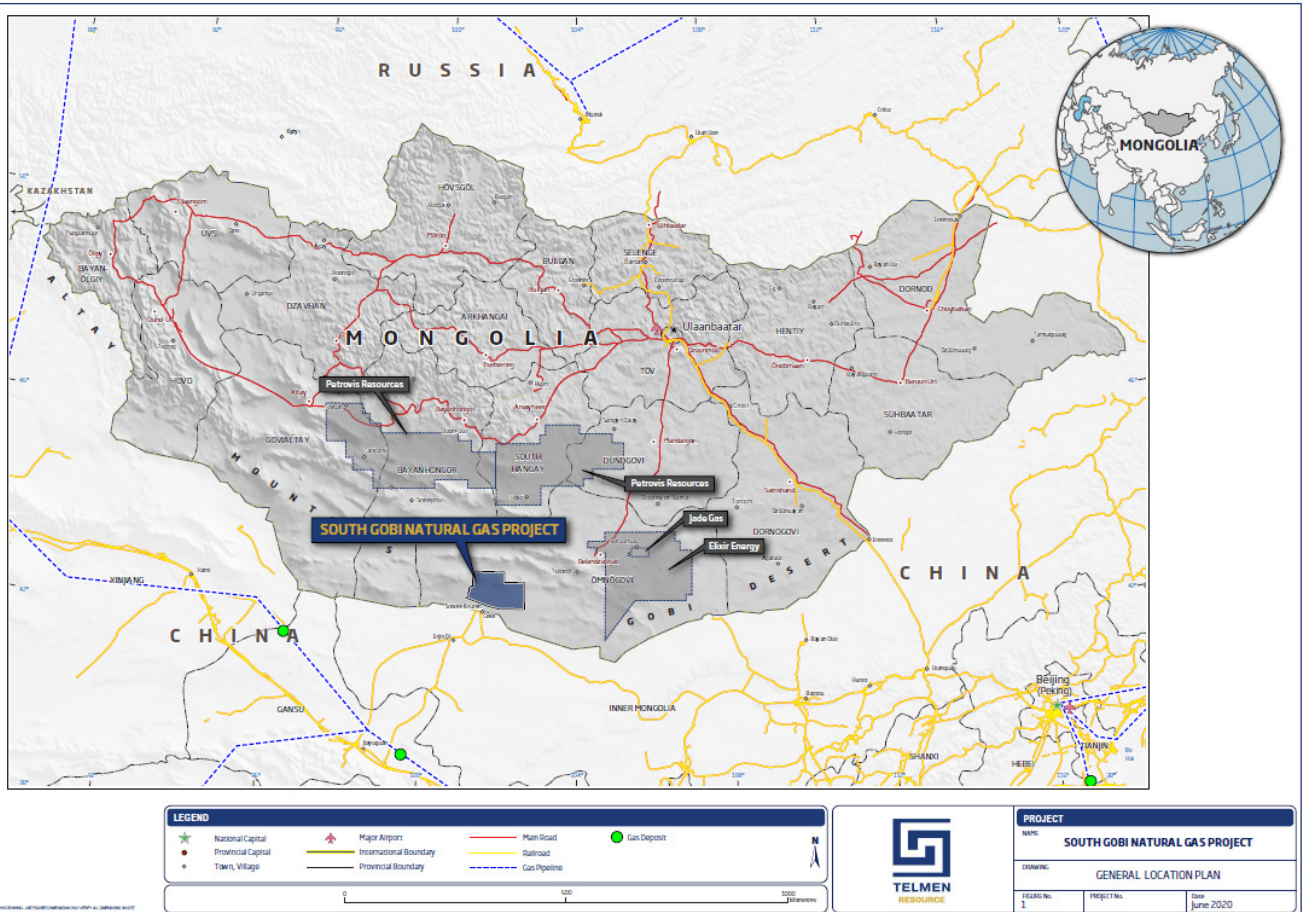
Talon Petroleum Limited ('**Talon**' or the '**Company**') is pleased to announce it has executed a binding offer letter with Telmen Resource JSC (**Telmen**) in respect of a farm-in for a 33% interest in the proposed Gurvantes XXXV Production Sharing Agreement (**PSA**), located onshore Mongolia.

In conjunction with the transaction with Telmen, the Company has received firm commitments from new and existing institutional and sophisticated investors to raise a minimum A\$4 million with A\$1 million accepted in oversubscriptions to fund the work programs on the Gurvantes XXXV CBM project to earn the 33% interest in the PSA (**Placement**).

Overview

Telmen is the holder of a coal bed methane (**CBM**) Prospecting Contract over the area of the proposed PSA and has undertaken an initial prospecting work program to better understand its prospectivity. With that initial work now complete, Telmen has concluded negotiations with the Mineral Resources and Petroleum Authority of Mongolia (**MRPAM**) on the commercial terms of the PSA. The PSA requires approval from the Ministry of Mining and Heavy Industry and subsequently requires approval from the Cabinet of Mongolia before formal award of the PSA can be made. Historically, negotiations and regulatory process matters between Telmen and the Mongolian government have progressed smoothly, and it is anticipated that formal award of the PSA will be forthcoming in the next few months.

The PSA (nominally named Gurvantes XXXV) covers a significant area of 8,400km² and is in what is considered one of the most prospective basins for CBM 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. Notably, it is the closest of Mongolia's CBM projects to China's West-East Gas Pipeline. Likewise, it is proximate to several large-scale mining operations with high energy needs. As such, Gurvantes XXXV is ideally placed for future gas sales to satisfy both local Mongolian, as well as Chinese, energy requirements.



Initial work program operations at Gurvantes XXXV are expected to commence as soon as possible upon formal PSA award. Work will include the drilling of at least 4 coreholes where important data will be gathered to confirm gas contents and understand permeability, which is one of the last remaining technical parameters to be understood at the project.

Under the terms of the transaction with Telmen, Talon will have the ability to terminate the farm-in at the conclusion of the initial drilling program or commit to further operations (refer to Appendix 1 of this Announcement for detail on transaction terms).

Further, Talon has secured the right to match any offer Telmen may receive in respect of the transfer or sale of an additional interest in Gurvantes XXXV.

Commenting on the farm-in and placement, Talon MD David Casey said: "Talon is very pleased to be entering into this farm-in transaction with Telmen. This is one of the best CBM/CSG opportunities I have seen and Gurvantes XXXV represents an exceptional opportunity for the Company and its shareholders, with Talon to be at the forefront of what is an exciting emerging CBM industry in Mongolia.

The farm-in provides additional portfolio and risk diversity as well as being complementary to Talon's current onshore gas assets in the Perth Basin.

The excellent support received for the placement is a vote of confidence in the strong potential of Talon's highly prospective oil and gas exploration assets in both the Perth Basin and the UK North Sea to deliver significant value for investors. The Board thanks existing shareholders for their support and welcomes new shareholders in what is an exciting step forward for Talon."

Placement to fund Gurvantes XXXV work programs

In conjunction with the transaction with Telmen, the Company has undertaken a Placement to fund the priority work programs on the Gurvantes XXXV Field. The Placement was very strongly supported and will see the Company issue approximately 1.25 billion new fully paid ordinary shares ('**New Shares**') at an issue price of \$0.004 per New Share.

Chieftain Securities Pty Ltd ('**Chieftain**') acted as Lead Manager to the Placement. Chieftain is also Corporate Advisor to the Company.

Funds raised through the Placement will be used to farm-in for a 33% participating interest in a soon-to-be-issued PSA in respect of the Gurvantes XXXV Field, located onshore Mongolia and operated by Telmen Resource JSC, and to further exploration work in the PSA, including the drilling of multiple wells and general working capital.

The Placement will be conducted in two tranches. Tranche 1 will issue 652,768,428 New Shares under the Company's 7.1 capacity and 347,231,572 New Shares under the Company's 7.1A placement capacity for a total of 1 billion shares. Funds received from Tranche 1 placement will total A\$4 million.

Tranche 2, which is subject to shareholder approval, will issue up to 250,000,000 New Shares. Funds received from Tranche 2 will total A\$1 million.

Post completion of both tranches of the Placement and upon receipt of funds, Talon will have ~A\$9.6 million cash at bank (minus costs of the Placement), and in addition has already completed a A\$1 million deposit payment made to Strike Energy Limited to be applied towards drilling at Walyering in the Perth Basin.

Tranche 2 of the Placement will be subject to Shareholder approval at the Company's General Meeting to be held late March 2021.

The Company will pay a cash fee of 5% on total funds raised under the Placement and 1% Management Fee to Chieftain as Lead Manager. Chieftain Securities, a boutique corporate advisory firm that holds an AFSL, had eligible clients that participated in the Placement and will receive a pro-rata share of the standard raising fee for their share of the funds raised in the Placement.

Issue of Options to Advisors for TPD Transactions Completed

The Company has agreed to issue 105,000,000 Advisor Options to Chieftain's Securities for work completed as its Corporate Advisor to the Company with respect to the work undertaken on structuring and completing both the Walyering Farm-in transaction with Strike Energy Limited, and the Mongolian Coal Seam Gas transaction with Telmen, which are subject to Shareholder approval. The Company will issue an additional 45,000,000 Advisor Options to a third party for their work on delivering the Telmen deal to Talon.

The Company is also issuing 100,000,000 Broker Options as part of the completed fund-raising fee structure, which are subject to Shareholder approval.

All Advisor & Broker options will be issued on the same terms and conditions, exercisable at \$0.006 expiring 28/02/2024 and subject to shareholder approval at the Company's General Meeting to be held late March 2021.

About Telmen Resource JSC

Established in 2012, Telmen Resource JSC ('Telmen') is a privately owned Mongolian registered company formed for the purpose of exploration and development of Mongolia's natural resources. Telmen's team is comprised of Mongolian and Australian professionals with experience in the identification, exploration, and operations of Mongolian natural resources projects. Telmen's strategy is to target early-stage opportunities that offer low-cost entry and transformational potential.

Talon has released a presentation on Gurvantes XXXV titled "*Mongolia South Gobi Coal Seam Gas Project*" which can also be found at www.talonpetroleum.com.au

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This announcement is authorised for lodgement by David Casey, Managing Director & CEO of Talon Petroleum.

Appendix 1 - Transaction Terms

The material terms of the transaction with Telmen over Gurvantes XXXV are:

- **Interest to be acquired:** Talon to be assigned a 33% participating interest in the Gurvantes XXXV PSA
- **Consideration:** Consideration payable to Telmen by Talon is as follows:
 - Initial Cash Consideration
 - US\$100,000 non-refundable cash payment upon the execution of terms sheet;
 - US\$250,000 payable upon formal issuance of the Gurvantes XXXV PSA and subject to Talon and Telmen having executed formal farm-in and joint operating agreements, (together, **Initial Cash Consideration**).
 - Earn-in consideration:
 - Talon to pay 100% of the costs of an agreed budget for an initial work program over Gurvantes XXXV (including the drilling of at least 4 core holes) up to an amount of US\$1,500,000 (**Initial Work Program**);
 - At the conclusion of the Initial Work Program, Talon shall have 90 days upon which to elect to:
 - terminate the farm-in agreement with no further obligation; or
 - receive assignment of the Earned Interest and pay 100% of the costs of a secondary work program up to an amount of US\$3,150,000 (any amounts payable thereafter shall be split between Telmen and Talon in accordance with their respective participating interests (i.e. Talon will pay 33%).
 - Deferred consideration:
 - Talon shall, upon independent certification of 2C Contingent Resource in respect of Gurvantes XXXV, make additional payment to Telmen as follows:

2C Contingent Resource	Additional payment amount
0.5 Tcf	Nil
1.5 Tcf	US\$1 million

PROVIDED that:

- where the independently certified 2C Contingent Resources are between the amounts specified in the table, the amount payable shall be pro-rated accordingly; and
- where the independently certified 2C Contingent Resources are less than 0.5Tcf, the amount payable shall be nil and where the 2C Contingent Resources are greater than 1.5Tcf, the total amount payable shall be US\$1 million.

Telmen may elect to take the Additional Payment in either cash or Talon shares. Where Telmen elects to receive the Additional Payment by way of Talon shares, the price per share shall be equal to the 20-day volume weighted average price per share upon the date of and applying the United States Dollar/Australian Dollar exchange rate as published by The Reserve Bank of Australia at the date of issue of the shares to Telmen.

- **Conditions precedent:** The farm-in for a 33% interest in Gurvantes XXXV is subject to the following conditions:
 - Formal issuance of the PSA by the Mongolian government;
 - Talon being satisfied with its due diligence in respect of Gurvantes XXXV and the tax treatment and structuring of its investment;
 - The execution of legally binding farmout and joint operating agreements by Talon and Telmen containing appropriate terms and conditions for a transaction of this nature;
 - The execution by Talon and Telmen of all transfer documentation required to transfer the 33% interest in the PSA to Talon;
 - Receipt of required government approvals (if any);
 - Receipt of any required Talon shareholder approvals; and
 - Final approval of the Board of Directors of Talon.
- **Preferential Right:** Telmen shall procure that for a period of 3 years from the later of the execution of formal farm-in agreements or the award of the PSA, neither Telmen nor any of its affiliates will sell or transfer any interest in the Asset to any third party unless Telmen or its affiliate has first made a written offer to Talon to acquire the relevant interest on the same terms and conditions as agreed with any such third party. Upon receipt of such an offer from Telmen, Talon shall have 60 days within which to accept the offer.