

GURVANTES UPDATE

19 JULY 2023

Production Testing Commences

- **The Operator, TMK Energy Limited (ASX:TMK), has informed Talon that the Pilot Well Program production facilities are now fully commissioned**
- **Initial gas breakthrough may commence at any time following initial depressurisation of the reservoir**
- **All three pilot wells successfully pumping water to surface at constrained rates**
- **Talon has satisfied its Stage 2 funding obligation**

Talon Energy Ltd (ASX: TPD) (“**Talon**” or the “**Company**”) provides the following update in relation to the Pilot Well Program at the Gurvantes XXXV CSG Project (Talon 33%, TMK 67%) in the South Gobi Basin of Mongolia. The Company’s Joint Venture partner and Operator of the Gurvantes XXXV Coal Seam Gas Project, TMK, has advised that the Pilot Well Program has commenced production testing. The three-well maiden Pilot Well Program has successfully been drilled and completed, and surface facilities have been installed and commissioned, with the extended production phase now underway.

Additionally, Talon has now satisfied its Stage 2 funding obligation under the Gurvantes XXXV Farmout Agreement, having funded the first US\$3.15 million of expenditure for the Pilot Well Program. Going forward, Talon and TMK will be funding their proportionate share of further costs (Talon 33%, TMK 67%).

Mr Colby Hauser, Talon’s Managing Director and Chief Executive Officer commented: “We are pleased to announce an important milestone in the development of the Gurvantes XXXV Coal Seam Gas (CSG) Project with the commencement of production testing.

Over the last 18 months, we have seen the project progress from the drilling of the first CSG exploration wells, to discovery of a significant gas Resource, and now commencement of production testing from the Pilot Well Program. Thank you to our partner TMK Energy and our contractors for getting us to this milestone. We look forward to a positive result from the extended production test.”

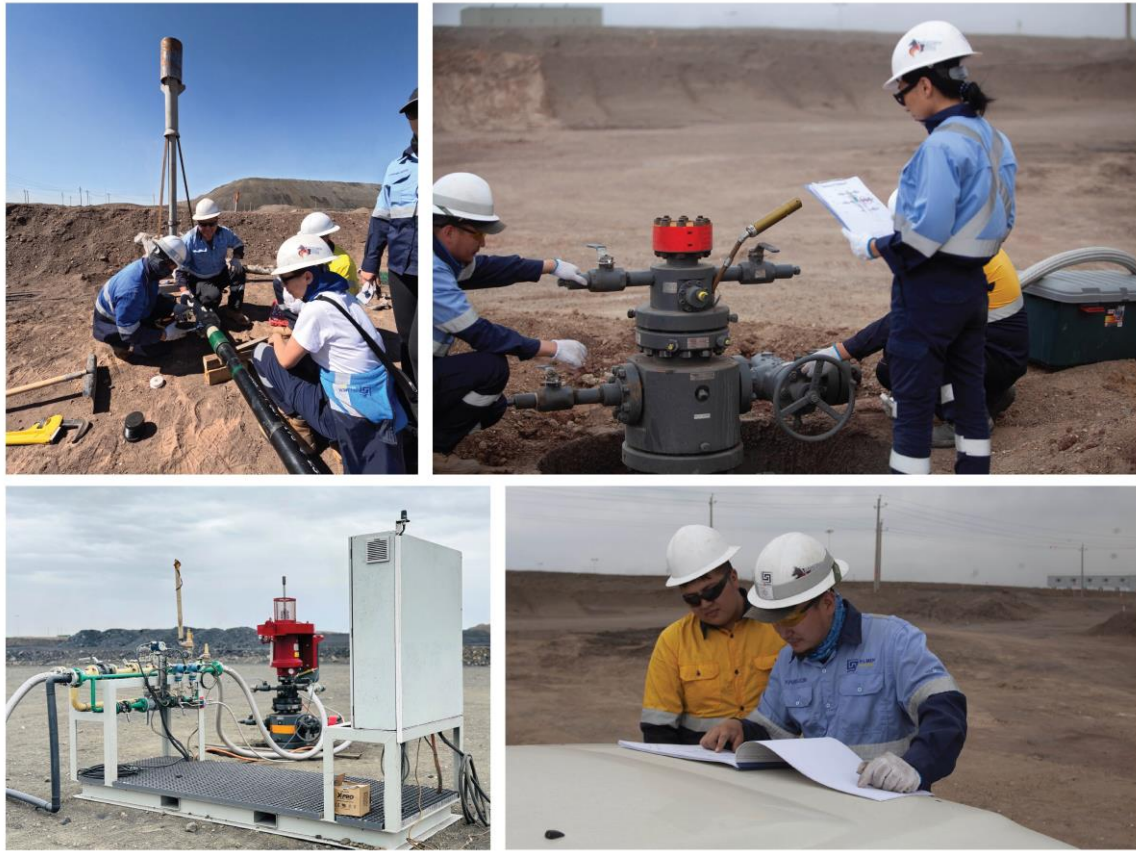


Figure 1 – Commissioning activities on the three production wells at the Pilot Well Program

Since the last update on 13 July 2023, the pumps on all three wells have been commenced pumping operations at low speeds with the wells currently producing water to nearby storage ponds which will be recycled by neighbouring mining operations. Initial water rates are an indication of permeability and the rates currently being achieved at low pump speeds is in line with expectations.

Over the coming weeks, the pump speeds will gradually be increased, and the depressurisation of the reservoir will commence. Although initial gas breakthrough is not expected immediately, early modelling suggests that some gas breakthrough may occur at any time following the initial depressurisation of the reservoir.

Once gas breakthrough / production does commence, gas will initially be flared at surface and gas and water production data will be analysed to provide valuable information for future commerciality and allow pre-feasibility studies to commence. Upon a sustained level of production being achieved, a decision on whether to use the Lucky Fox production wells for electricity generation for both internal use and potential sales revenue will be able to be made.

It is anticipated that the wells will initially flow high levels of water and low levels of methane gas, and over the course of the production test, the gas rates are expected to increase while water rates are expected to decrease.

This Announcement was authorised for release by the Managing Director and Chief Executive Officer.

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