

## Quarterly Activity Report for the Period Ending 31 March 2021

### Highlights

- **Expansion of Perth Basin acreage following the signing of a non-binding term sheet to acquire 100% interest in the Condor Structure**
- **Subsequent to quarter end, Talon estimated initial, recoverable Prospective Resources over Condor**
- **Entry into Mongolian coal bed methane (CBM) with a binding offer letter to farm-in for a 33% interest in the proposed Gurvantes XXXV Production Sharing Agreement, located in one of the most prospective basins for CBM globally**
- **Completion of Placement raising A\$5 million to sophisticated investors**
- **Strengthening oil price bodes well for UK North Sea farm-out process.**

Talon Petroleum Limited (ASX: TPD) ("**Talon**" or "**Company**") is pleased to present its March 2021 quarterly report.

### **1. Talon expands Perth Basin acreage**

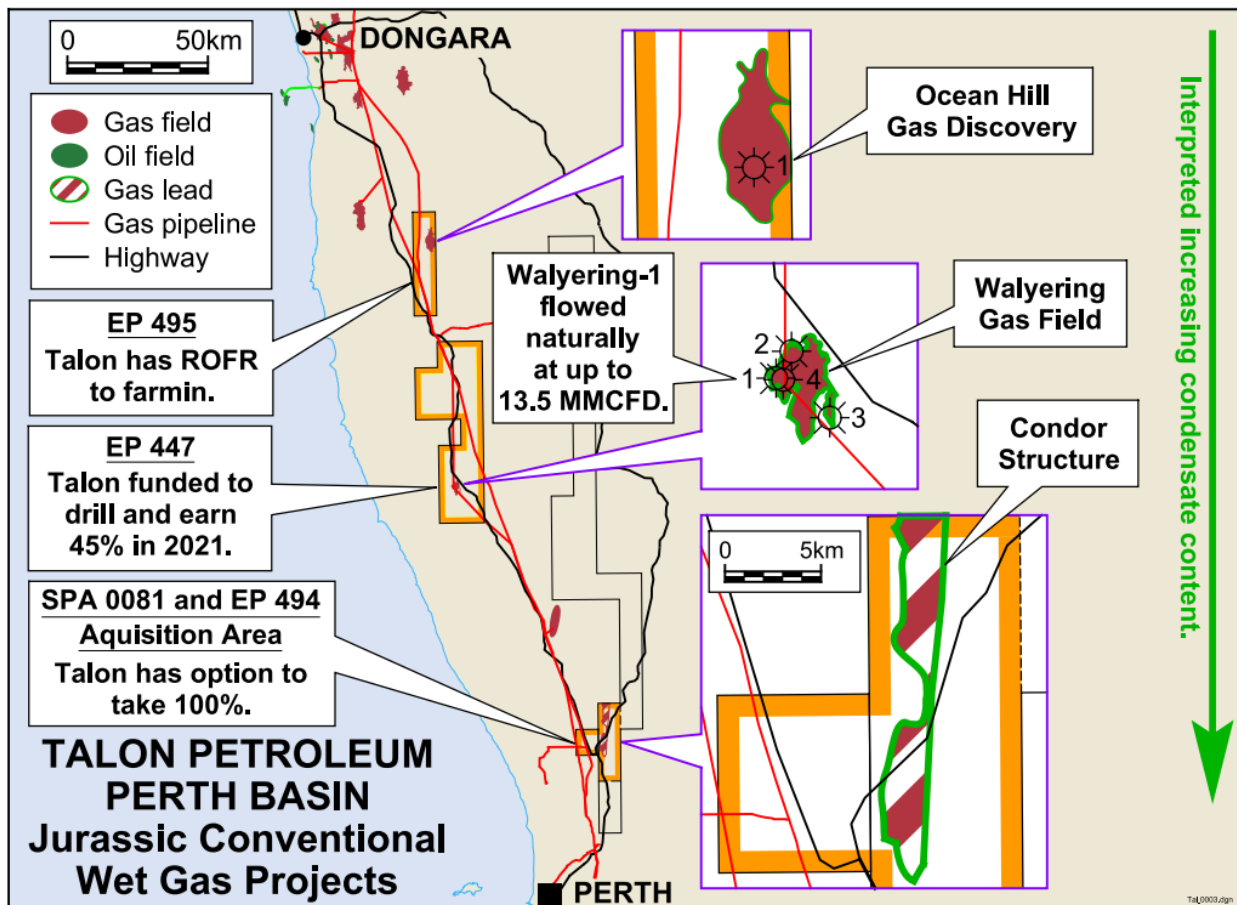
During the quarter, Talon entered into a non-binding term sheet with Macallum Group Limited (Macallum) for the acquisition of a 100% interest in the area covering the large, Muchea Structure in EP494 and SPA-0081, located onshore Perth Basin.

The Muchea Structure, now known as the Condor Structure, has potential to be the Basin's largest, untested wet gas structure within conventional Jurassic reservoirs.

The selection of Condor follows a continuing strategic review of opportunities in the Perth Basin by Talon. Talon's focus is on the exploration for and on appraisal of conventional, gassy reservoir projects, close to gas transport infrastructure and with potential to also contain value adding liquid hydrocarbons.

Initial work to be undertaken by Talon will be an airborne AEM-PTP survey, which is estimated to cost around \$100,000. Planning for this survey is underway.

In addition to the Walpyring and Muchea assets, Talon also has a Right of First Refusal (ROFR) for an interest in EP495 that contains the Ocean Hill, conventional Jurassic gas discovery.



## 2. Condor maiden best prospective resource

During the quarter, Talon estimated initial recoverable Prospective Resources over the high relief Condor Structure contained within EP494 and SPA0081, located onshore the Perth Basin.

The Condor Structure (formerly Muchea) is estimated to have Prospective Resources of 710 BCF (High/P10), 408 BCF (Best/P50) and 202 BCF (Low/P90)<sup>1</sup>.

*The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

With just over 20 MMbbl (P50) condensate, Condor represents additional significant liquids upside at current prices in excess of US\$60/bbl.

<sup>1</sup> Refer to Talon Petroleum Limited ASX release dated 17 March 2021 for more information on prospective resource and contingent resource. Talon confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates contained in that announcement have not materially changed and continue to apply

### 3. Talon farm-in to Mongolian CBM project

During the March quarter, Talon 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.

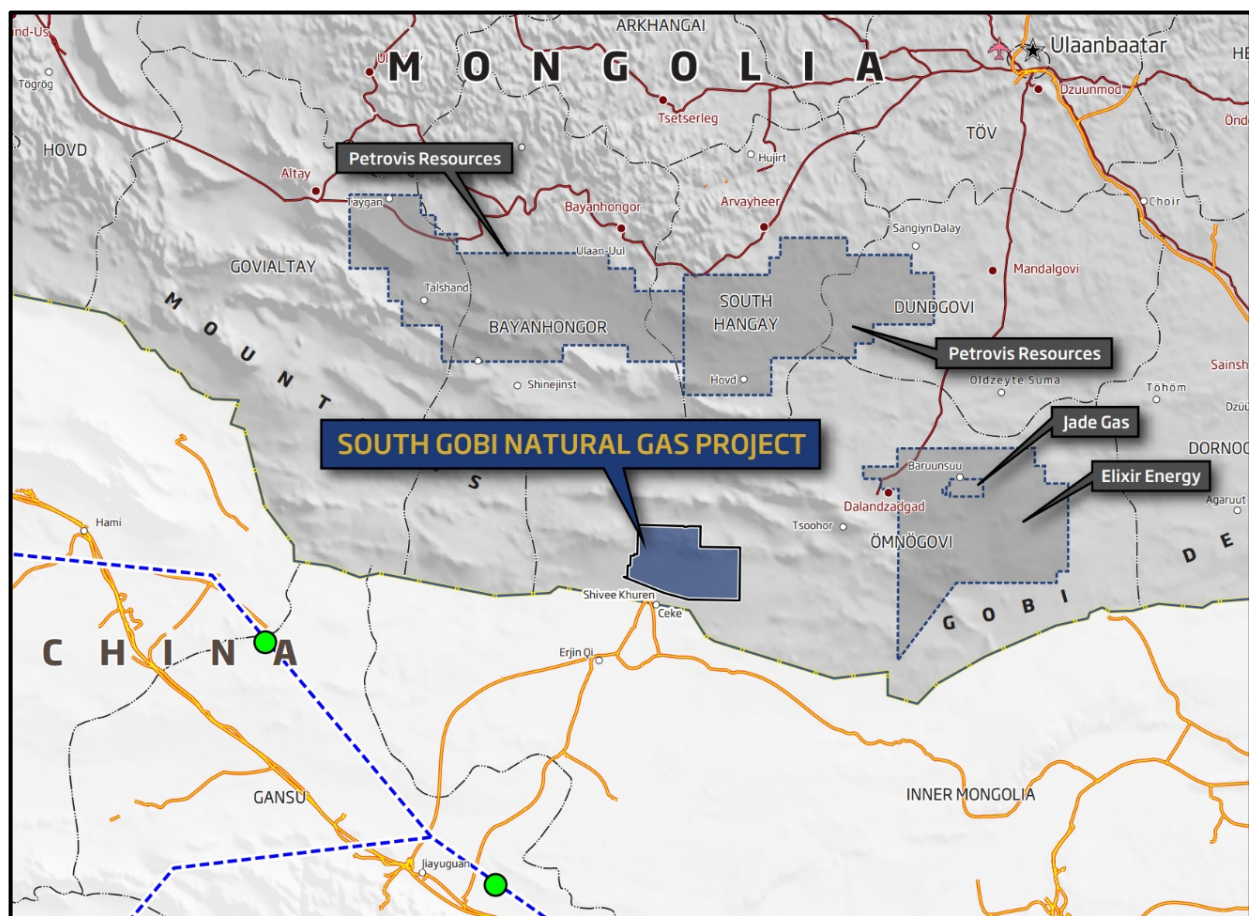
Telmen is the holder of a coal bed methane (CBM) Prospecting Contract over the area of the proposed PSA and has undertaken an initial prospecting work program to better understand its prospectivity. With that initial work now complete, Telmen has concluded negotiations with the Mineral Resources and Petroleum Authority of Mongolia (MRPAM) on the commercial terms of the PSA. The PSA requires government approval, with the formal award of the PSA expected in the coming Quarter.

The PSA (nominally named Gurvantes XXXV) covers a significant area of 8,400km<sup>2</sup> 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.

In conjunction with the transaction with Telmen, the Company 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.

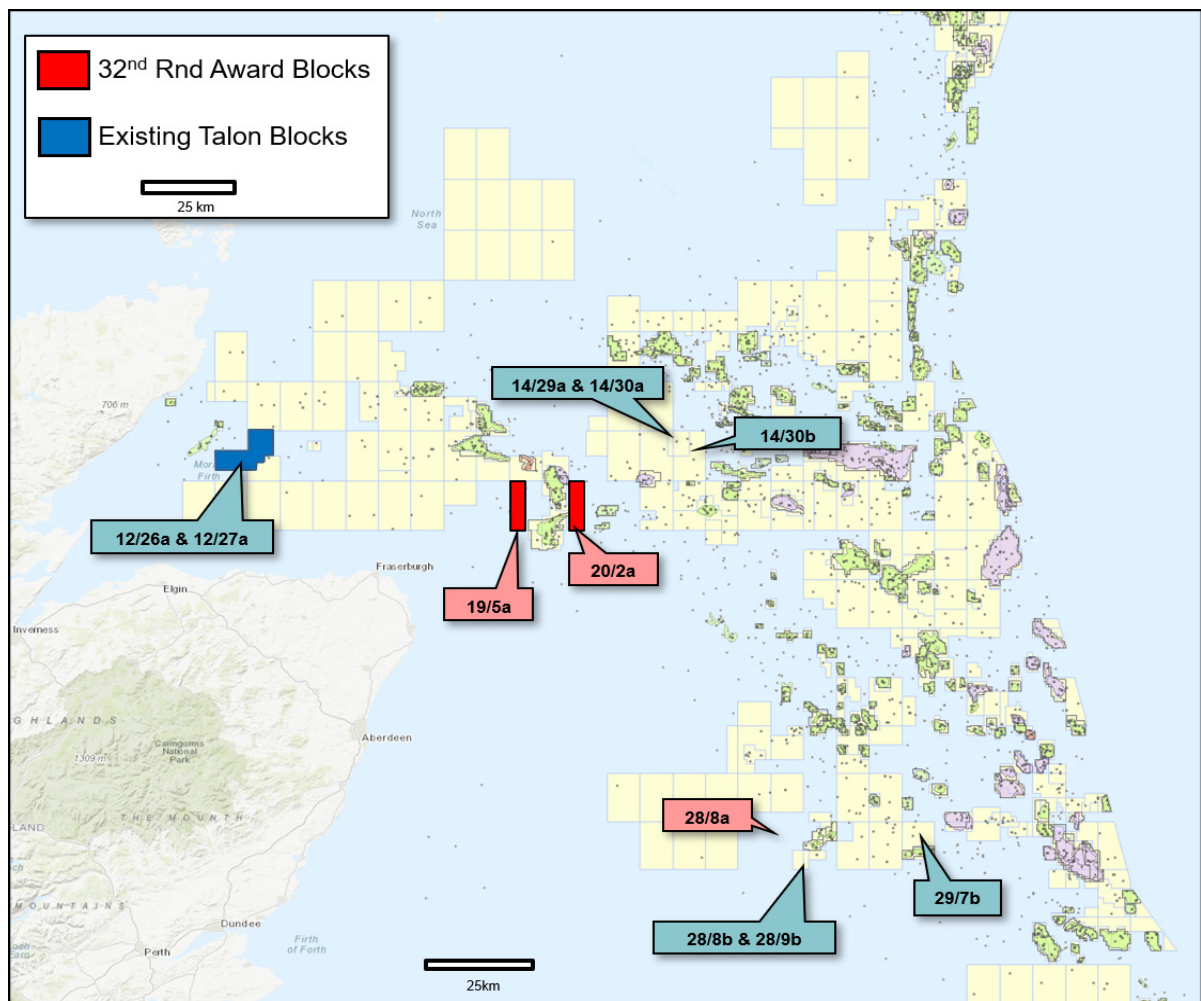


#### 4. UK North Sea farm-out process

Talon remains committed to its UK North Sea exploration portfolio and is continuing with its farm-out efforts on the Skymoos, Rocket and Vantage prospects. Despite the challenging macro-economic environment due to the COVID-19 pandemic, the level of engagement and interest remains strong. However, the timing of any successful farmout remains uncertain.

Boding well for the process has been the recent recovery and stability in the Brent Crude oil price to over US\$60/bbl, which is generally above the break-even point for UK North Sea oil projects. With this development, there has been a return of M&A and other activity to the region.





## 5. Corporate

During the quarter, Talon completed a placement for A\$5 million by issue of 1,250,000,000 ordinary shares at A\$0.004 each. Chieftain Securities (WA) Pty Ltd acted as Lead Manager to the Placement.

In addition, the Company received \$705,250 in respect to the conversion of 176,312,500 unlisted options with an exercise price of \$0.004.

Subsequent to quarter end, there was an additional \$493,750 received by the Company following the conversion of 123,437,500 \$0.004 unlisted options.

## 6. Appendix

In accordance with Listing Rule 5.4.3 Talon provides the following information in relation to its oil and gas tenements:

### Oil and Gas blocks held at the end of the quarter:

Project	Location	Block	Status	Beneficial Interest
Walpyring	Perth Basin	EP447	Granted	45%*
Curlew-A	North Sea	29/7b	Granted	10%
Rocket	North Sea	28/8b & 28/9b	Granted	100%
Skymoos	North Sea	14/29a & 14/30a	Granted	100%
Thelma, Louise, Buffalo	North Sea	14/30b	Granted	100%
Vantage	North Sea	12/26a & 12/27a	Granted	100%
Chisum	North Sea	19/5a	Granted	100%
Bluestring/White Bear	North Sea	20/2a	Granted	100%
Carnaby	North Sea	28/8a	Granted	100%

No oil and gas blocks were disposed of during the quarter. However, and as previously advised, Talon had taken steps relinquish its holding in UKCS Licence 29/7b and this was finalised post the end of the period.

In accordance with Sections 1.2, 6.1 & 6.2 of the March 2021 quarter Appendix 5B, Talon provides the following information:

Section	Description	\$A'000
1.2	Expenditure for exploration & evaluation, production, staff and administrative corporate costs	639
6.1 & 6.2	Payments made to related parties and their associates including Directors fees and corporate costs.	130

--Ends--

**Authorised for lodgement by the Board.**

**For further information, please contact:**

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## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly cash flow report

**Name of entity**

TALON PETROLEUM LIMITED (ASX CODE: TPD)

**ABN**

88 153 229 086

**Quarter ended ("current quarter")**

31 MARCH 2021

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	-	-
1.2 Payments for		
(a) exploration & evaluation (expensed)	(249)	(249)
(b) development	-	-
(c) production	(1)	(1)
(d) staff costs	(181)	(181)
(e) administration and corporate costs	(208)	(208)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	4	4
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(635)</b>	<b>(635)</b>
<b>2. Cash flows from investing activities</b>		
2.1 Payments to acquire:		
(a) entities	-	-
(b) tenements	-	-
(c) property, plant and equipment	-	-



## Mining exploration entity and oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
	(d) exploration & evaluation (inc. farm-in)	(18)	(18)
	(e) investments	-	-
	(f) other non-current assets	-	-
2.2	Proceeds from the disposal of:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-
	(d) investments	-	-
	(e) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	<b>Net cash from / (used in) investing activities</b>	<b>(18)</b>	<b>(18)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	5,000	5,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of options	705	705
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(269)	(269)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (refund of unmarketable parcel share)	-	-
3.10	<b>Net cash from / (used in) financing activities</b>	<b>5,436</b>	<b>5,436</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	4,658	4,658
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(635)	(635)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(18)	(18)

## Mining exploration entity and oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	5,436	5,436
4.5	Effect of movement in exchange rates on cash held	(1)	(1)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>9,440</b>	<b>9,440</b>

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1	Bank balances	9,430	4,653
5.2	Call deposits	10	5
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>9,440</b>	<b>4,658</b>

**6. Payments to directors of the entity and their associates**

- |                                                                                             | Current quarter<br>\$A'000 |
|---------------------------------------------------------------------------------------------|----------------------------|
| 6.1 Aggregate amount of payments to related parties and their associates included in item 1 | 130                        |
| 6.2 Aggregate amount of payments to related parties and their associates included in item 2 | -                          |

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

## Mining exploration entity and oil and gas exploration entity quarterly cash flow report

7.	Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	<i>Note: the term "facility" includes all forms of financing arrangements available to the entity.</i> <i>Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financial facilities</b>		

7.5	<b>Unused financial facilities available at quarter end</b>	-
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7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.

NIL
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8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(635)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(18)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(653)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	9,440
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	9,440
8.7	<b>Estimated quarters of funding available (Item 8.6 divided by Item 8.3)</b>	<b>14</b>

8.8 If Item 8.7 is less than 2 quarters, please provide answers to the following questions:

- Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

- Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A


- Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

**Compliance statement**

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 23 April 2021

Authorised by:   
David Casey, Managing Director & CEO

**Notes**

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.
4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.