

Quarterly Activity Report for the Period Ending 30 June 2021

Highlights

- Planning continued during the Quarter for the Waylering-5 appraisal well which remains on track to spud in Sept 2021
- Airborne Electromagnetic Transient Pulse (AEM-PTP) survey completed over EP447's Condor structure
- License extension application for Skymoos and Rocket blocks lodged
- Gurvantes XXXV Production Sharing Agreement approved by the Mongolian Cabinet shortly after Quarter-end
- Preparation of an initial independently certified Prospective Resource for Gurvantes XXXV underway
- Talon remains well funded to execute its exploration programs with a cash balance of \$9.5m at the end of the Quarter
- Company renamed Talon Energy Ltd

Talon Energy Ltd (ASX: TPD) ("Talon" or "Company") is pleased to present its June 2021 Quarterly Activity Report.

On 28 May 2021 the Company was renamed **Talon Energy Ltd** after receiving shareholder approval at the Company's Annual General Meeting. The name change was undertaken to reflect Talon's transition to a more integrated energy company.

During the June Quarter Talon continued to work on a number fronts to advance growth opportunities for the Company, including on its existing projects located in Australia and the United Kingdom, as well as the Gurvantes XXXV coal bed methane Project (**Gurvantes XXXV**) in Mongolia, in which Talon has a binding earn-in agreement to acquire a 33% participating interest, from the Project's owner, Mongolian company, Telmen Resource JSC (**Telmen**). (refer to ASX Announcement dated 3 February 2021). Subsequent to the end of the June quarter, Talon was formally notified by Telmen that the Mongolian Government had approved the Production Sharing Agreement (**PSA**) for the Gurvantes XXXV Project, and both companies are now finalising documentation of key operating agreements.

In order to fund the work program to earn its 33% participating interest in Gurvantes XXXV, Talon successfully completed a \$5 million capital raising (**Placement**) from new and existing institutional and sophisticated investors in the March 2021 Quarter (refer ASX Announcement dated 6 April 2021). In addition to this \$5 Placement, during the June quarter Talon raised a further \$678K through the exercise of options over shares in the Company.

Talon had a cash balance of \$9.5M at the end of the June quarter, and in addition to this amount the Company has previously paid a \$1M work program deposit to Strike Energy for the drilling of Waylering-5.

Perth Basin Exploration Program

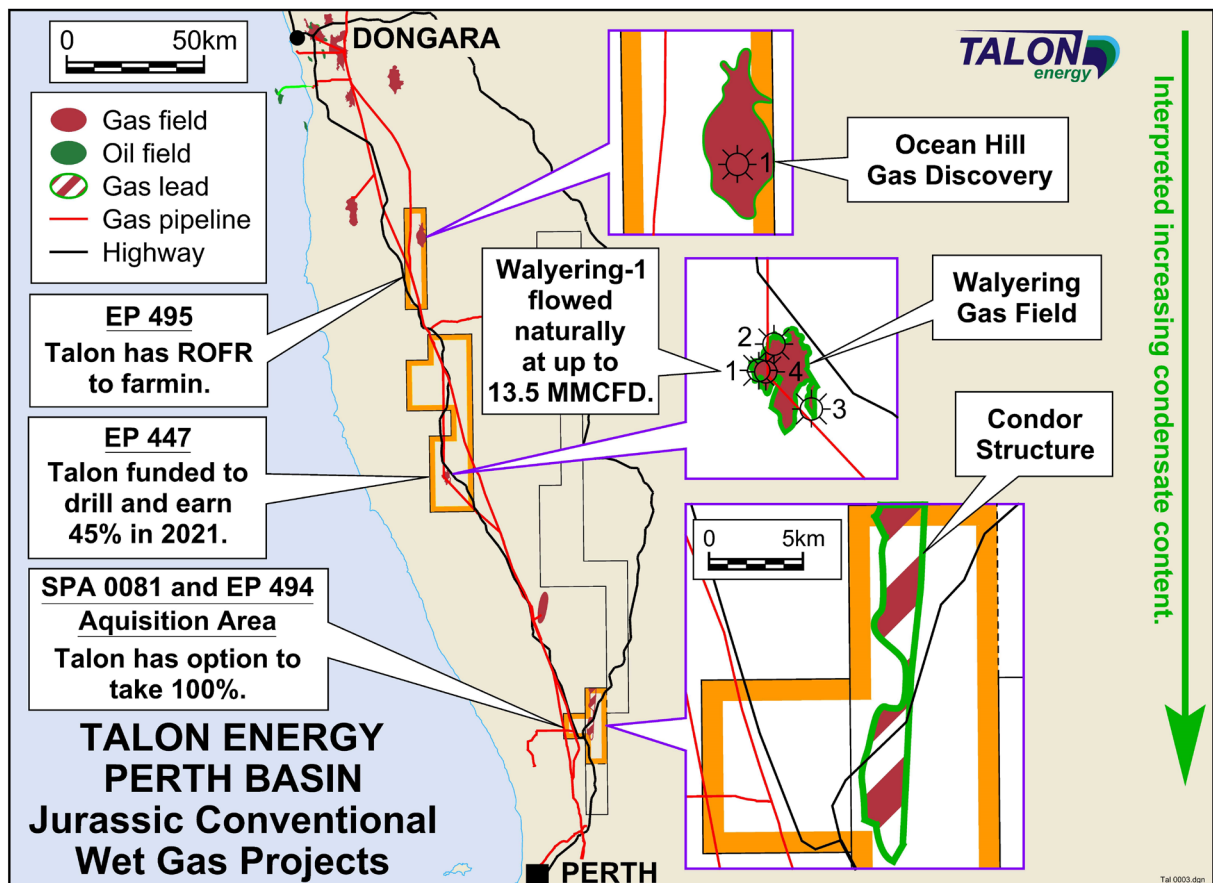
EP447 - Walyering (45%)

Planning continued for the drilling of the highly anticipated Walyering-5 appraisal well which remains on track to spud in the September Quarter. Talon is earning a 45% interest in the well and is fully funded for its commitment.

Shortly after the end of the June Quarter, Talon's partner in, and Operator of, Walyering-5, Strike Energy, announced that it is preparing to spud the Walyering-5 appraisal well in September 2021. With the drill rig secured, and long lead items purchased, all major agreements and permits are now in place to facilitate drilling operations.

Strike has a proven track record of discovery success having executed a substantial discovery and appraisal program in at the nearby West Erregulla gas discovery.

Walyering is an existing discovery which was flow tested at 13.5MMCFD in Walyering-1. It is ideally located with a proven path to market, and with CO₂ of less than 1%, is possibly the cheapest and cleanest gas to produce in the entire basin.



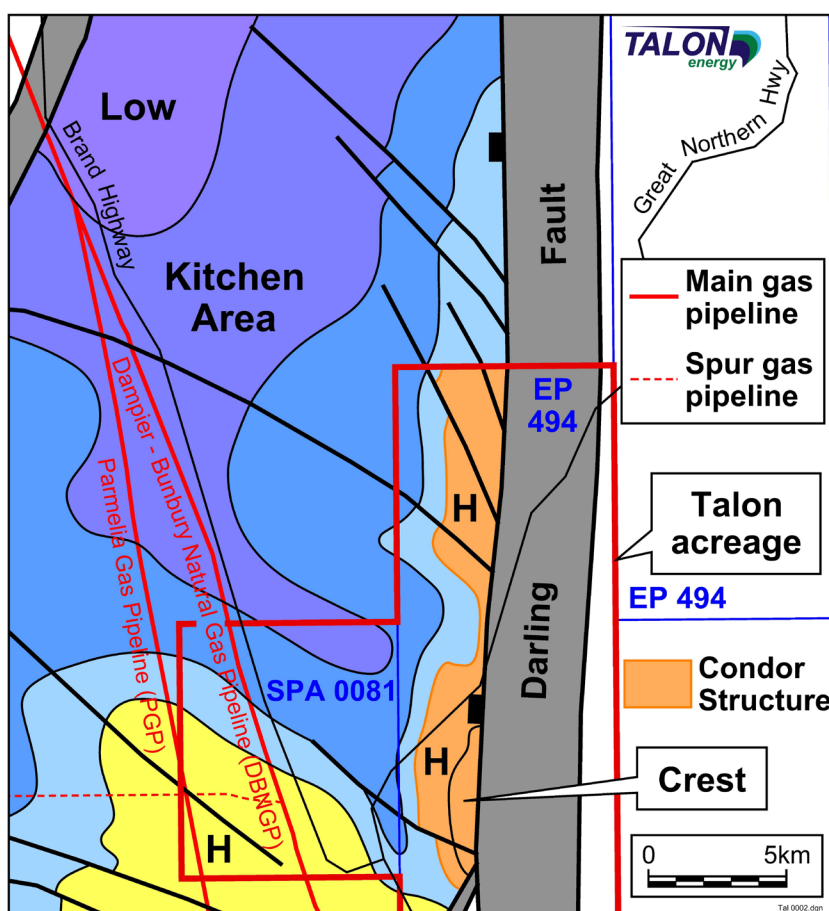
EP-494 Condor (earning 100%)

During the June Quarter Talon completed its initial exploration activity on EP447, over the Condor Structure. The Condor Structure has been mapped by Talon as the Basin's largest, untested wet gas structure within conventional Jurassic reservoirs. This initial work consisted of an Airborne Electromagnetic Transient Pulse (**AEM-PTP**) survey, with the Company aiming to have analysis of the data acquired completed in the September quarter.

The AEM-PTP survey data will be used by Talon to better delineate the exciting Condor Structure and to help with the planning of future exploration work on the prospect. Importantly the acquisition of the AEM-PTP survey satisfies the work program requirement for SPA-0081, which Talon will now have the option to convert, in due course, to a longer tenure Exploration Permit (**EP**).

Success at Walyinger will have positive implications for the Condor Prospect with both wells targeting conventional Jurassic reservoirs. At Condor however, the reservoirs could be up to 1,500m shallower than at Walyinger, with beneficial effects being improved reservoir quality and reduced drilling and completion costs.

Condor is a high impact prospect for Talon which, if matured by our planned work programs, could deliver up to 10 times the resources that Talon is targeting with appraisal drilling at Walyinger. Additionally, there is potential for the gas composition to contain an even higher, value-adding component of condensate than is projected for Walyinger. Condor's moderate drill costs, low CO₂ and proximity to key transport and pipeline infrastructure, means it is ideally placed for commercial development in the event of exploration success.



EP 494 and SPA 008: Condor Locality Map

Condor Structure Unrisked Prospective Resources (Talon 100%)									
Permit	LOW (P90)		BEST (P50)		HIGH (P10)		Mean		COS
EP494	Cond (MMbbl)	Gas (Bcf)	Cond (MMbbl)	Gas (Bcf)	Cond (MMbbl)	Gas (Bcf)	Cond (MMbbl)	Gas (Bcf)	(%)
	9.5	202	20.2	408	39	710	22.6	433	15

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. For more information on Prospective Resources, refer to ASX announcement dated 17 March 2021. Talon confirms it is not aware of any new information or data that materially effects the information contained in that announcement and that all material assumptions and technical parameters underpinning the estimates contained in that announcement have not materially changed.

In addition to the Walyering and Condor Project, Talon also has a Right of First Refusal for an interest in EP495, which contains the Ocean Hill conventional Jurassic gas discovery.

Gurvantes XXXV - Mongolian Coal Seam Gas Project

During the prior Quarter Talon executed an agreement to earn a 33% participating interest in the proposed Gurvantes XXXV Production Sharing Agreement (**PSA**). The permit moved through the approvals process during the June Quarter, and shortly after Quarter-end Talon received formal notice from Telmen Resources JSC (**Telmen**), the owner of the Project, that the PSA had received Mongolian Cabinet approval.

The Gurvantes XXXV PSA covers a significant area of 8,400km² and is in what is considered one of the most prospective basins for coal seam gas, 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 Coal Bed Methane 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.

The initial work program under the Farm-in Agreement with Telmen, will include the drilling of at least 4 core holes, 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.



Gas content measurement canisters have been shipped from Australia to Mongolia

The Company, in conjunction with Telmen, is now working on what it expects to be a multi-TCF initial independent Prospective Resource.

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.

Talon has applied for an extension of tenure for the Skymoos and Rocket licenses to September 2022.

Other

No activities of an oil production and development nature were undertaken during the reporting quarter, and as such, no expenditure of this nature was incurred.

Corporate

Talon remains fully funded to execute its current exploration programs. Following the successful \$5M Placement in the prior Quarter, as well as the encouraging early exercise of Talon's \$0.04 Feb 2022 options (for \$678,750), cash held at June 30 was \$9.5m.

The Company was pleased to announce during the Quarter, the appointment of Mr David Lim CPA AGIA, as its joint Company Secretary. Mr Lim is a finance and compliance professional with over 15 years of experience working for ASX Listed companies operating in the Resources sector.

Details of Talon's tenement holdings, and related party transactions can be found in the accompanying Appendix.

--Ends--

Authorised for lodgement by the Board.

For further information, please contact:

Talon Energy Ltd

David Casey
Managing Director & CEO
+61 8 6319 1900
david@talonenergy.com.au

Media Enquiries

Angela East
Media and Capital Partners
+61 428 432 025
angela.east@mcpartners.com.au

Competent Persons Statement. The information in this report that relates to Prospective Resources as set out in this document is based on information compiled by Mr John Lamberto and Mr John Begg who are geoscientists each with over 30 years of industry experience and both consultants to the Company. This information was subsequently reviewed by Mr David Casey BSc (Hons), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Casey is a director of the Company, with approximately 30 years relevant experience in the petroleum industry and is a member of The Society of Petroleum Engineers (SPE), the Australian Institute of Mining and Metallurgy (AusIMM) and the Petroleum Exploration Society of Australia. The resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/ American Association of Petroleum Geologists (AAPG)/ Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The resources information included in this report are based on, and fairly represents, information and supporting documentation reviewed by Mr Casey. Mr Casey is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.

Appendix

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

Tenements held at the end of the quarter:

Project	Location	Tenements/ Blocks	Status	Beneficial Interest
Walvering	Perth Basin	EP447	Granted	45% ¹
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%
Subject to earn-in conditions				
Gurvantes XXXV	Mongolia		Farming-In	0% ²
Condor	Perth Basin	7977,8049,8121 & SPA-0081	Earning 100%	0% ³

1. Subject to regulatory approvals

2. As detailed in the Activities Report above, Talon executed a binding agreement dated 30 January 2021, with Telmen to earn a 33% interest in the Gurvantes XXXV Production Sharing Agreement. At end of the reporting quarter no interest, other than the contractual earn-in right, had been earned by Talon.

3. In January 2021 Talon entered into a non-binding agreement to acquire 100% of blocks 7977, 8049 and 8121 located within EP494, and SPA-0081 from Macallum Group Limited. This transaction is subject to a number of Conditions Precedent, some of which had not been satisfied at the end of the Quarter.

During the June 2021 quarter Talon relinquished its 10% holding in UKCS Licence 29/7b.

In accordance Listing Rule 5.4, and as reported in the accompanying Appendix 5B, the following expenditure was incurred during the June 2021 quarter:

Section	Description	\$A'000
1.2	Expenditure for exploration & evaluation, production, staff and administrative corporate costs (including amounts disclosed below)	\$459
6.1 & 6.2	Payments made to related parties and their associates including Directors fees and corporate costs.	\$118

Appendix 5B

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

Name of entity

TALON ENERGY LTD

ABN

88 153 229 086

Quarter ended ("current quarter")

30 JUNE 2021

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
1.	Cash flows from operating activities		
1.1	Receipts from customers	8	8
1.2	Payments for		
	(a) exploration & evaluation (expensed)	(87)	(127)
	(b) development	-	-
	(c) production	(34)	(35)
	(d) staff costs	(135)	(316)
	(e) administration and corporate costs	(217)	(412)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	6	10
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)	-	-
1.9	Net cash from / (used in) operating activities	(459)	(872)

2.	Cash flows from investing activities		
2.1	Payments to acquire:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	-	-

Appendix 5B
Mining exploration entity and oil and gas exploration entity quarterly cash flow report

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
	(d) exploration & evaluation (inc. farm-in)	(50)	(290)
	(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	Net cash from / (used in) investing activities	(50)	(290)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,000
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of options	679	1,384
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(105)	(374)
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	Net cash from / (used in) financing activities	574	6,010

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	9,440	4,658
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(459)	(872)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(50)	(290)

Appendix 5B

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

Consolidated statement of cash flows		Current quarter	Year to date (6 months)
		\$A'000	\$A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	574	6,010
4.5	Effect of movement in exchange rates on cash held	(4)	(5)
4.6	Cash and cash equivalents at end of period	9,501	9,501

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	Previous quarter
		\$A'000	\$A'000
5.1	Bank balances	9,491	9,430
5.2	Call deposits	10	10
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	9,501	9,440

6.	Payments to directors of the entity and their associates	Current quarter
		\$A'000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	118
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	

Appendix 5B

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

7.	Financing facilities available <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>	Total facility amount at quarter end \$A’000	Amount drawn at quarter end \$A’000
7.1	Loan facilities	-	-
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	Total financial facilities	-	-
7.5	Unused financial facilities available at quarter end		-
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			

8.	Estimated cash available for future operating activities	\$A'000
8.1	Net cash from / (used in) operating activities (Item 1.9)	(459)
8.2	Capitalised exploration & evaluation (Item 2.1(d))	(50)
8.3	Total relevant outgoings (Item 8.1 + Item 8.2)	(509)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	9,501
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	9,501
8.7	Estimated quarters of funding available (Item 8.6 divided by Item 8.3)	19

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

Appendix 5B

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

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: 26 July 2021

Authorised by: By the board

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.