

# QUARTERLY REPORT SEPTEMBER 2023

25 OCTOBER 2023

## Quarterly Activity and Cash Flow Report

- **Walyering gas field commences production of gas and condensate.**
- **Talon enters Scheme Implementation Deed ("SID") with Strike Energy Limited ("Strike") pursuant to which Strike will acquire all the issued shares in Talon by way of a scheme of arrangement ("Scheme").**
- **Binding Heads of Agreement with TMK to consolidate ownership of Gurvantes XXXV**

**Talon Energy Ltd (Talon or Company)** (ASX: **TPD**) is pleased to provide its Quarterly Activity Report for the quarter ending 30 September 2023.

**Talon's Managing Director, Colby Hauser, commented:** "The September quarter has seen transformational operational and corporate activity.

After a busy start to the quarter, in mid-August 2023, Talon was pleased to announce that it had entered into a binding scheme implementation deed with Strike under which Strike will acquire all the issued shares in Talon by way of a scheme of arrangement. If successfully implemented, each Talon shareholder will receive 0.4828 new Strike shares for each Talon share held on the Scheme record date.

Around the end of September 2023, production commenced at the Walyering Gas Field, a proud moment for Talon and its shareholders. Transitioning from explorer to producer was an important milestone for the Company and we look forward to working with Strike as the joint venture looks to ramp up production over the coming quarter.

Post the end of the Quarter, Talon announced a binding heads of agreement executed with TMK Energy Ltd (**TMK**) to consolidate ownership of the Gurvantes XXXV Project (subject to required shareholder approvals). The Company's view is that the consolidation of ownership of the Gurvantes XXXV Project provides not only important synergies for the ongoing exploration and production work at the Gurvantes XXXV Project, but also the ability for Talon shareholders to realise value in addition to the Scheme with Strike through continued exposure to this exciting asset via a shareholding in TMK.

The Talon Board believes that both the Scheme with Strike and the sale of Gurvantes XXXV to TMK are in the best interests of Talon shareholders and unanimously recommends them to our shareholders."

## PERTH BASIN, WESTERN AUSTRALIA

### Walyering Joint Venture

#### L23 and EP447

**Talon 45%, Strike Energy Limited (Strike) 55% and Operator**

#### Walyering Gas Field Commences Production

On 25 September 2023, the Walyering gas field commenced export of sales gas into the Parmelia Gas Pipeline under its commissioning arrangements with Santos Limited (**Santos**).

A gross total of ~52 TJs of commissioning gas was sold at varying rates during the startup of the Walyering gas field, where these sales have now been invoiced.

Subsequent to quarter end, on 1 October 2023, at 8:00am AWST, the Walyering gas field commenced stabilised export of sales gas into the Parmelia Gas Pipeline under the Supply Agreement with Santos where a high reliability in the performance of the facility was observed measuring at an uptime of more than 97%. The Supply Agreement is for the supply of 36.5 PJ over a period of 5 years on a firm, take-or-pay basis at 20 TJ per day with arrangements for supply of additional gas on an 'as available basis'. At this time, it is important to recognise that both sales of gas into the Santos contract and condensate sales are denominated in US-dollars.

On 5 October 2023, the first offloading of condensate to its point of sale at Port Bonython occurred. Condensate production has been within forecast rates of ~200 barrels per day since firm gas supply commenced.

The joint venture will commence safely ramping up the field towards its nameplate capacity of 33 TJ/d over the coming quarter now that stabilised rates have been achieved for the firm contracted production. Achieving this rate is subject to various conditions including market dynamics and facility/upstream performance.



Due to the extended construction time, higher labour rates and additional manpower required against forecasts, the final costs of the development, including the well completions, facility construction and commissioning costs, was approximately \$30 million (gross). Strike expects to 'payback' the construction costs from gas and condensate sales in approximately two quarters, highlighting the high return nature of the Walyering development<sup>1</sup>.



### Walyering-7 well

The Walyering JV also sanctioned the drilling of the Walyering-7 well, where the objective of the well is the conversion of the existing Resources to Reserves for potential tie into the Walyering facility.

## L7 and EP437

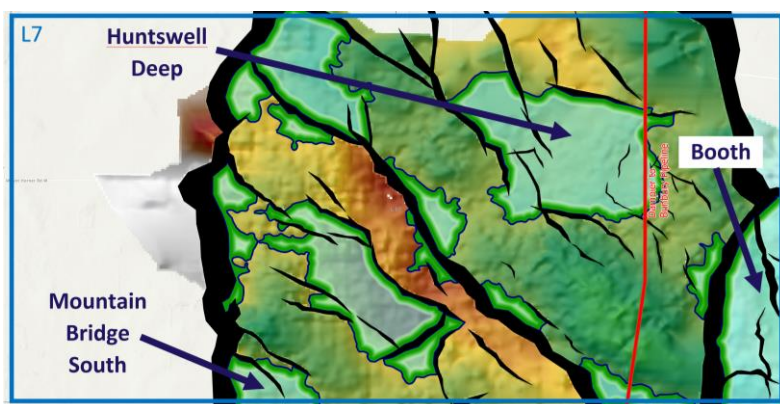
**Talon 25%, Triangle Energy Limited (Triangle) 50% and Operator, New Zealand Oil & Gas (NZOG) 25%**

### Exploration Activities

With the conclusion of the Farm-In Agreement with Triangle in March 2023, the focus on the northern Perth Basin permits L7 and EP437 has been on finalising the geological assessment of the Booth, Mountain Bridge South, Huntswell Deep and Becos prospects.

The Operator continues to endeavour securing a drilling slot for the Booth prospect within the first half of 2024. Additionally, the Operator is preparing environmental applications, initiating the purchase of long lead items, and commencing stakeholder engagement.

Around quarter end, the regulator approved Triangle's transfer of a 25% interest in L7 and EP437 to Talon.



The L7 permit contains over ten identified prospects and leads in the highly prospective Kingia Fm reservoir.

Volumetric assessment of the 'top three' prospects in L7 across both the Early Permian Kingia Fm and Late Permian Dongara Sst reservoirs have a range of gross prospective resource from a low estimate of 167Bcf to a high estimate of 753Bcf, with a most likely (best) estimate of 393Bcf, of which Talon holds 25%.

<sup>1</sup> Assumes production and sales from the Walyering gas field at 33 TJ/d and 250bbl/day with as available gas sold to Santos at the 'as available' price under the Gas Sales Agreement with Santos, and condensate at A104/bbl (USD 70/bbl and FX rate 0.67 USD:AUD)



The estimated prospective resources from the three L7 prospects are outlined in the table below:

Prospect (Bcf)	Gross Unrisked Prospective Resources (100%)			Net Unrisked Prospective Resources (25%)		
	Low (P90)	Best (P50)	High (P10)	Low (P90)	Best (P50)	High (P10)
Booth	113	<b>279</b>	540	28.3	<b>69.8</b>	135
Huntswell Deep	30	<b>61</b>	115	7.5	<b>15.3</b>	28.8
Mountain Bridge South	24	<b>53</b>	98	6.0	<b>13.3</b>	24.5

Notes:

1. The Booth and Mountain Bridge South prospects have a Best prospective resource located within L7, with further resources located in adjacent acreage.
2. The Kingia Interval includes the Kingia Formation and High Cliff Sandstone where they are within the structural closure of the prospect.
3. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk to development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The estimates shown in this document are unrisked; however, Talon notes that the prospects are considered moderate risk.

## Condor

**Blocks 7977, 8049 and 8121 (within EP494), SPA 34 AO (EP511)**

**Option for Talon to acquire 100%**

### Activities

During the September 2023 quarter, Talon continued to work with Macallum Group Ltd (**Macallum**) to transfer the Condor tenure to Talon. The Condor project consists of two adjacent permits, SPA 34 AO (now awarded as EP511) and three blocks (7977, 8049 & 8121) from EP494. The application submitted to excise the three blocks from EP494 (Excise Application) is with the Department of Mines, Industry Regulation and Safety (**DMIRS**), awaiting assessment. As such, the transfer of the Condor tenure to Talon remains contingent primarily on satisfaction of this condition.

## SOUTH GOBI BASIN, MONGOLIA

### Gurvantes XXXV Joint Venture

**Gurvantes XXXV Coal Seam Gas Project**

**Talon 33% interest in Gurvantes XXXV Project, TMK Energy Ltd (TMK) 67% and Operator**

### Pilot Well Program and Exploration Program

On 13 July 2023, the Gurvantes Project joint venture (**Gurvantes JV**) completed the final commissioning of the pilot well program, with the downhole pumps and drive heads successfully installed in each of the three wells and the construction of all the surface facilities and associated infrastructure. The production test commenced on the 19 July 2023, with all three wells pumping water to surface.



**Continuous flare at Lucky Fox-2**

Initial gas break through was reported on 25 July 2023, with continuous flaring of gas across all three wells commencing on 9 August 2023.

The wells are pumping water at a sustained rate of ~500-600 barrels a day, with the fluid levels in each of the wells drawn down in accordance with the reservoir management plan. Gas rates are expected to gradually increase over the six months of the extended production test as the desorption pressure has been reached in each of the wells, as is typical of CSG wells.

A joint exploration program between the Gurvantes JV and Terra Energy in the northeast of the Gurvantes Project area commenced in early September 2023. Utilising two drill rigs engaged by Terra Energy the exploration program has so far drilled three cored exploration wells. The first two of these intersected a net thickness of coal of between 5 to 10m and testing for CSG potential on these two wells was not undertaken. The third cored exploration well, BHN23\_002C, intersected a net coal thickness of 45m and preliminary CSG testing indicates a moderate to high gas content. This thick gassy seam is consistent with and interpreted to be in the same geological formation intersected in the Nariin Sukhait area, located 100km to the west where the Lucky Fox pilot production test is underway. A further four cored exploration wells are intended to be completed this year.

The 2D seismic acquisition program commenced in late September 2023 and the field data collection is ongoing and expected to be completed in the coming weeks.

## CORPORATE

On 3 July 2023, Talon announced the appointment of Ms Shannon Coates and Ms Joan Dabon as joint company secretaries to the Company, replacing Ms Jo-Ann Long.

On 25 July 2023, Talon announced to the ASX that it received an unsolicited, non-binding indicative offer from Strike Energy Limited (Strike) regarding a potential change of control transaction, which was subsequently withdrawn by Strike with immediate effect.

On 1 August 2023, Talon announced to the ASX that it received a revised confidential, non-binding indicative proposal from Strike on 26 July 2023 to acquire all the shares of Talon, demerge its Mongolian assets to Talon shareholders and provide a convertible financing facility. The parties were unable to reach an agreement on final terms prior to the resumption of trading on 1 August 2023 and the revised proposal was withdrawn.

On 14 August 2023, Talon announced to the ASX that it entered into a SID with Strike pursuant to which Strike will acquire all the issued shares in Talon by way of a Scheme. In parallel with the Scheme, Talon noted it would explore options to spin-out its 33% interest in the Mongolian assets to Talon shareholders. As part of the SID,

Strike and Talon entered into a binding facility agreement pursuant to which Strike has agreed to provide a A\$6 million convertible financing facility to assist Talon fund its short-term working capital needs through the Scheme process (**Strike Financing Facility**).

The indicative timetable for the Scheme is as follows:

- First Court hearing: early November 2023
- Scheme meeting: early December 2023
- Second Court date: mid December 2023
- Effective date: mid December 2023
- Record date: two business days after the Effective Date
- Implementation date: end December 2023

During the quarter, Talon satisfied all the required Conditions Precedent for the financing facility with Strike. At the end of the September quarter, Talon held cash and cash equivalents of \$4.0 million, with \$6.0 million of undrawn funds available under the financing facility with Strike.

### **Events Subsequent to Quarter End**

#### ***Gurvantes Transaction***

On 11 October 2023, Talon announced that it entered into the Gurvantes Transaction with TMK, pursuant to which TMK will retain Talon's 33% earned interest in the Gurvantes Project via the acquisition of Talon's wholly owned subsidiary, Talon Energy Pte. Ltd.

In consideration for the Gurvantes Transaction, TMK will issue up to 1,100,000,000 fully paid ordinary shares in TMK (**TMK Consideration Shares**) and up to 550,000,000 listed TMKOB options (exercisable at \$0.025 on or before 30 April 2026) (**TMK Consideration Options**) (together, the **TMK Consideration Securities**). Following completion of settlement of the Gurvantes Transaction, Talon is to undertake an in-specie distribution of up to 1,009,017,240 TMK Consideration Shares and up to 504,508,620 TMK Consideration Options to Talon Shareholders on a record date to be determined by Talon (**Distribution**). The final number of TMK Consideration Securities to be distributed to Talon Shareholders under the Distribution will be subject to any adjustment required at settlement in accordance with the terms of the Gurvantes Transaction.

The indicative timetable for the Gurvantes Transaction is as follows:

- Shareholder meeting: late November 2023
- Distribution to shareholders: mid December 2023

#### ***Strike Financing Facility***

After quarter end, Talon utilised the Strike Financing Facility to draw down funds primarily to satisfy Walyering costs and Scheme related costs. As at the date of this report, the outstanding loan balance is approximately \$3.3 million, which includes interest and other facility costs that have been capitalised.

## OTHER INFORMATION

### Tenement Holdings

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

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

Project	Location	Tenement/ Blocks	Status	Beneficial Interest
Walyering	Perth Basin	EP447	Granted	45%
Walyering	Perth Basin	L23 <sup>1</sup>	Granted	45%
L7	Perth Basin	L7 <sup>2</sup>	Granted	25%
EP437	Perth Basin	EP437 <sup>2</sup>	Granted	25%

#### Subject to earn-in conditions

Gurvantes XXXV	Mongolia	735/5637945	Granted	33%
Condor	Perth Basin	Blocks 7977, 8049 and 8121 (within EP 494), EP511	Acquisition subject to satisfaction of various conditions precedent	0% <sup>3</sup>

#### Other

Ocean Hill	Perth Basin	EP495	Granted	FROR <sup>4</sup>
UKCS2527	North Sea	P2527	Granted	ORR <sup>5</sup>

#### Notes:

1. In January 2023, Production Licence L23 was granted over the Walyering gas field by the WA Dept of Mines, Industry Regulation and Safety.
2. In March 2023 Talon completed a binding agreement with Triangle Energy (ASX:TEG) to farm into onshore Perth Basin petroleum licences L7 and EP437. Under the terms of the Farm In, Talon will pay a minimum of \$9.25 million to acquire a 25% interest in production licence L7 and exploration permit EP437. On 27<sup>th</sup> September 2023 WA DMIRS approved the transfer of the permit titles to reflect Talon's 25% beneficial interest on the Government permit register.
3. In Q1 CY2021 Talon entered into an agreement to acquire 100% of blocks 7977, 8049 and 8121 located within EP494, and SPA 34 AO (now EP511) from Macallum Group Limited. This transaction is subject to a number of Conditions Precedent, which had not been satisfied at the end of the quarter. An application to convert SPA 34 AO to an exploration permit has been approved by DMIRS.
4. As part of the Walyering farm-in agreement executed with Strike Energy Limited, Talon also has a limited first right of refusal over EP495 which contains the Ocean Hill project.
5. In April 2022, Talon entered into an Agreement with Finder Energy Holdings to divest 100% of P2527 in return for 12.5% gross income of any future farm-out of the permit which converts to a 3% royalty of Finder's retained net share of petroleum.

No other tenements were acquired or disposed of during the 30 September 2023 quarter.

## Reserves and Resources, Net to Talon <sup>1</sup>

Project	Beneficial Interest	1P	2P	3P	1C	2C	3C	1U	2U	3U
<b>Sales Gas (Bcf)</b>										
Walayering	45%	13.0	21.7	33.0	7.2	12.8	20.4	2.3	6.4	12.4
Gurvantes XXXV	33%	-	-	-	131.3	400.6	779.1	246.2	425.4	618.4
Condor	100%	-	-	-	-	-	-	202.0	408.0	710.0
L7	25%	-	-	-	-	-	-	41.8	98.4	188.3
<b>Arithmetic Sum (Bcf)</b>		<b>13.0</b>	<b>21.7</b>	<b>33.0</b>	<b>138.5</b>	<b>413.4</b>	<b>799.5</b>	<b>492.3</b>	<b>938.2</b>	<b>1,529.1</b>
<b>Sales Gas (PJ)</b>										
Walayering	45%	14.6	24.4	37.1	8.1	14.4	22.9	2.6	7.2	13.9
Gurvantes XXXV	33%	-	-	-	137.5	419.3	815.5	257.7	445.2	647.5
Condor	100%	-	-	-	-	-	-	217.2	438.7	763.4
L7	25%	-	-	-	-	-	-	43.6	102.7	196.5
<b>Arithmetic Sum (PJ)</b>		<b>14.6</b>	<b>24.4</b>	<b>37.1</b>	<b>145.6</b>	<b>433.7</b>	<b>838.4</b>	<b>521.1</b>	<b>993.8</b>	<b>1,621.3</b>
<b>Condensate (MMstb)</b>										
Walayering	45%	0.15	0.25	0.38	0.08	0.14	0.22	0.03	0.07	0.14
Gurvantes XXXV	33%	-	-	-	-	-	-	-	-	-
Condor	100%	-	-	-	-	-	-	9.50	20.20	39.00
L7	25%	-	-	-	-	-	-	-	-	-
<b>Arithmetic Sum (MMstb)</b>		<b>0.15</b>	<b>0.25</b>	<b>0.38</b>	<b>0.08</b>	<b>0.14</b>	<b>0.22</b>	<b>9.53</b>	<b>20.27</b>	<b>39.14</b>

1. Refer to Talon Energy Ltd 2022 Annual Report for notes on Reserves and Resources

### Cautionary Statement

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 exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The estimates of Prospective Resources included in the announcement have been prepared in accordance with the definitions and guidelines set forth in the Petroleum Resources Management System ("PRMS") as revised in June 2018 by the Society of Petroleum Engineers. The PRMS defines prospective resources as those quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations.



## Appendix 5B Information

In accordance with Sections 1.2, 2.1, 6.1 & 6.2 of the September 2023 Quarter Appendix 5B, Talon provides the following information:

Section	Description	\$A'000
1.2	Operating expenditure on exploration and evaluation, production, staff and administrative corporate costs	1,804
2.1 (d)	Investing expenditure on exploration and evaluation	49
2.1 (f)	Investing expenditure on other non-current assets (Walyering)	4,102
6.1 & 6.2	Payments made to related parties and their associates including Directors fees and corporate costs	167

This Announcement has been authorised for release by the Board of Directors.

For further information, please contact:

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## Reserves and Resources

Please refer to the following for ASX announcements for reserves and resources presented in this report:

- Walyering: Talon's ASX announcement dated 21 July 2022
- Gervantes XXXV: Talon's ASX announcement dated 9 November 2022
- Condor: Talon's ASX announcement dated 17 March 2021
- L7: Talon's ASX announcement dated 27 March 2023

Talon confirms that it is not aware of any new information or data that materially effects the information contained in those Announcements and that all material assumptions and technical parameters underpinning the estimates contained in those Announcements have not materially changed.

## Competent Persons Statement

**Walyering:** The information in this report that relates to Reserve, Contingent Resource and Prospective Resource information for the Walyering Gasfield is based on information compiled by Mr Peter Stephenson, an employee of RISC, and a Qualified Petroleum Reserves and Resources Evaluator (QPRRE) as defined by ASX listing rules. This information was subsequently reviewed by Dr Darren Ferdinando PhD, BSc (Hons), who has consented to the inclusion of such information in this report in the form and context in which it appears. Dr Ferdinando is Talon's Exploration Manager, with approximately 30 years relevant experience in the petroleum industry and is a member of The American Association of Petroleum Geologists (AAPG) and a Fellow of the Petroleum Exploration Society of Australia (PESA). The Resources included in this Report have been prepared using definitions and guidelines consistent with the 2018 Society of Petroleum Engineers/World Petroleum Council/ American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers Petroleum Resources Management System (PRMS). The Resources information included in this Report are based on, and fairly represents, information and supporting documentation reviewed by Dr Ferdinando. Dr Ferdinando 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.

**Gervantes XXXV:** The information in this report that relates to Prospective Resource information for the Gervantes XXXV Project is based on information compiled by Mr. John Hattner, an employee of Netherland, Sewell & Associates Inc, and who is a Qualified Petroleum Reserves and Resources Evaluator (QPRRE). 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/World Petroleum Council/American Association of Petroleum Geologists (AAPG)/Society of Petroleum Evaluation Engineers 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.

Condor: 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.

L7: The information in this report that relates to Contingent Resource information for the L7 Production License is based on information compiled by Dr. Douglas Gillies, an employee of Triangle Energy, and who 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. This information was subsequently reviewed by Dr Darren Ferdinando PhD, BSc (Hons), who has consented to the inclusion of such information in this report in the form and context in which it appears. Dr Ferdinando is an employee of Talon, with approximately 30 years relevant experience in the petroleum industry and is a member of The American Association of Petroleum Geologists (AAPG) and a Fellow of the Petroleum Exploration Society of Australia (PESA). The Resources included in this report have been prepared using definitions and guidelines consistent with the 2018 Petroleum Resources Management System (PRMS) approved by the Society of Petroleum Engineers (SPE). The resources information included in this Report are based on, and fairly represents, information and supporting documentation reviewed by Dr Ferdinando. Dr Ferdinando 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.

## Forward Looking Statements

This Announcement may contain certain "forward-looking statements" with respect to the financial condition, results of operations and business of the Company and certain plans and objectives of the management of the Company. Forward looking statements can generally be identified by words such as 'may', 'could', 'believes', 'plan', 'will', 'likely', 'estimates', 'targets', 'expects', or 'intends' and other similar words that involve risks and uncertainties, which may include, but are not limited to, the outcome and effects of the subject matter of this presentation. Indications of, and guidance on, future exchange rates, capital expenditure, earnings and financial position and performance are also forward-looking statements.

You are cautioned not to place undue reliance on forward looking statements as actual outcomes may differ materially from forward looking statements. Any forward-looking statements, opinions and estimates provided in this Announcement necessarily involve uncertainties, assumptions, contingencies and other factors, and unknown risks may arise, many of which are outside the control of the Company. Such statements may cause the actual results or performance of the Company to be materially different from any future results or performance expressed or implied by such forward looking statements. Forward-looking statements including, without limitation, guidance on future plans, are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Such forward looking statements speak only as of the date of this presentation.

The information in this Announcement is current as at the date of upload to the ASX's Market Announcements Platform and remains subject to change. Where required by the Company's continuous disclosure obligations Talon will release any price sensitive updates through the ASX's Market Announcements Platform immediately it become available, in accordance with the ASX's Listing Rules.

## Appendix 5B

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

Name of entity

TALON ENERGY LTD (ASX CODE: TPD)

ABN

88 153 229 086

Quarter ended ("current quarter")

30 SEPTEMBER 2023

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
<b>1.</b>	<b>Cash flows from operating activities</b>		
1.1	Receipts from customers	-	-
1.2	Payments for		
	(a) exploration & evaluation	(518)	(1,226)
	(b) development	-	-
	(c) production	-	-
	(d) staff costs	(421)	(975)
	(e) administration and corporate costs <i>(includes costs related to the Scheme of Arrangement with Strike Energy)</i>	(865)	(1,869)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	51	214
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</b>	<b>Net cash from / (used in) operating activities</b>	<b>(1,753)</b>	<b>(3,856)</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire or for:		
	(a) entities	-	-
	(b) tenements	-	-
	(c) property, plant and equipment	(2)	(2)
	(d) exploration & evaluation	(49)	(5,503)
	(e) investments	-	-
	(f) other non-current assets	(4,102)	(12,976)

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (9 months) \$A'000</b>
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(4,153)</b>	<b>(18,481)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	-	14,315
3.2	Proceeds from issue of convertible debt securities	-	-
3.3	Proceeds from exercise of options	834	924
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(8)	(764)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	(52)	(52)
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>774</b>	<b>14,423</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	9,154	11,997
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,753)	(3,856)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(4,153)	(18,481)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	774	14,423



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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (9 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	1	(60)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>4,023</b>	<b>4,023</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	3,983	9,114
5.2	Call deposits	40	40
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>4,023</b>	<b>9,154</b>

6.	Payments to related parties 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	167
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.*

<b>7.</b>	<b>Financing facilities</b> <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>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
7.1	Loan facilities	6,000	26
7.2	Credit standby arrangements	-	-
7.3	Other (please specify)	-	-
7.4	<b>Total financing facilities</b>	<b>6,000</b>	<b>26</b>
7.5	<b>Unused financing facilities available at quarter end</b>		5,974
7.6	<p>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.</p> <p>On 14 August 2023, as part of the Scheme transaction, Talon and Strike entered into facility agreement pursuant to which Strike agreed to provide a \$6 million convertible financing facility to assist Talon fund its working capital needs through the Scheme process. All the Conditions Precedent associated with the financing facility were satisfied during the September quarter. The amount drawn at quarter end relates to the capitalised commitment fee calculated on the undrawn funds to 30 September 2023. Refer to Talon's ASX announcement titled "Scheme Implementation Deed with Strike Energy" dated 14 August 2023 for the key terms of the facility and further information.</p>		

<b>8.</b>	<b>Estimated cash available for future operating activities</b>	<b>\$A'000</b>
8.1	Net cash from / (used in) operating activities (item 1.9)	(1,753)
8.2	Payments for exploration & evaluation classified as investing activities (item 2.1(d))	(49)
8.3	Total relevant outgoings (item 8.1 + item 8.2)	(1,802)
8.4	Cash and cash equivalents at quarter end (item 4.6)	4,023
8.5	Unused finance facilities available at quarter end (item 7.5)	5,974
8.6	Total available funding (item 8.4 + item 8.5)	9,997
8.7	<b>Estimated quarters of funding available (item 8.6 divided by item 8.3)</b>	<b>5.55</b>
	<i>Note: if the entity has reported positive relevant outgoings (ie a net cash inflow) in item 8.3, answer item 8.7 as "N/A". Otherwise, a figure for the estimated quarters of funding available must be included in item 8.7.</i>	
8.8	If item 8.7 is less than 2 quarters, please provide answers to the following questions:	
8.8.1	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	
8.8.2	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	

8.8.3 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

*Note: where item 8.7 is less than 2 quarters, all of questions 8.8.1, 8.8.2 and 8.8.3 above must be answered.*

## 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: 25 October 2023

Authorised by:  .....

(By the Managing Director/CEO, Colby Hauser)

## 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.