

## Quarterly Report for the Period Ending 30 September 2019

Talon Petroleum Limited (ASX: TPD) ("Talon" or "Company") is pleased to present its September 2019 quarterly report.

### 1. Talon Grows North Sea Portfolio with New Licence Award

Talon successfully added to the Company's growing North Sea portfolio, through a successful bid for a licence over Block 14/30b (Licence). The UK Oil and Gas Authority (OGA) notified Company of the successful bid through the UK 31<sup>st</sup> Supplementary Offshore Licensing Round.

Upon its issue, the Licence will be the fifth UK North Sea asset acquired by Talon since the Company embarked on its UK North Sea strategy in mid-2018. The Licence will provide Talon with important follow-on exploration potential in the event of successful exploration drilling on Talon's 100% owned Skymoos prospect in adjoining Licence 2363 (outlined below in figure 1). Talon's winning bid was originally jointly alongside ONE-Dyas E&P Limited, however, ONE-Dyas has recently advised OGA that it will not be proceeding into the Licence. Consequently, Talon will hold a 100% interest upon final issuance by OGA.

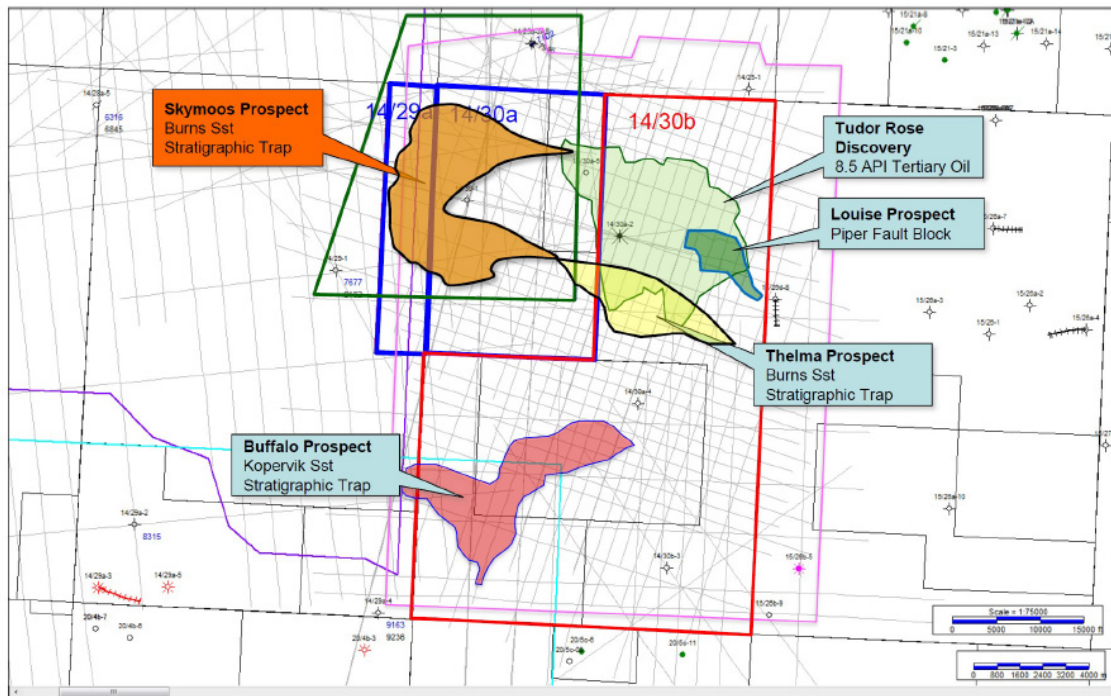
The Licence contains the:<sup>1</sup>

- **Thelma Prospect**, a Burns Sandstone stratigraphic trap which contains a 29mmbo (gross best estimate) prospective resource
- **Louise Prospect**, a Piper Fault Block target which contains a 17mmbo (gross best estimate) prospective resource
- **Buffalo Prospect**, a Kopervik Sandstone target which contains a 160Bcf (gross best estimate) prospective resource

Work program commitments for the initial two-year phase of the Licence are in the order of \$A30,000 (gross) and includes poststack processing of 100km<sup>2</sup> of existing 3D seismic data and a geochemistry study.

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<sup>1</sup> Refer to ASX announcements dated 23 July 2019 for more information on prospective resources



**Figure 1: Map showing prospectivity in Block 14/30b and proximity to Skymoos Prospect**

In addition to the newly awarded License, Talon's portfolio contains:

- 100% participating interest in Skymoos Prospect which holds the 107mmboe (best estimate)<sup>1</sup>
- 100% participating interest in Rocket Prospect which holds the 27mmboe (best estimate)<sup>1</sup>
- 50% participating interest in recently awarded Vantage Prospect which holds the 44mmbo (best estimate)<sup>2</sup>
- 10% participating interest in Curlew-A, which contains the 39mmbo (2C contingent resource)<sup>3</sup>

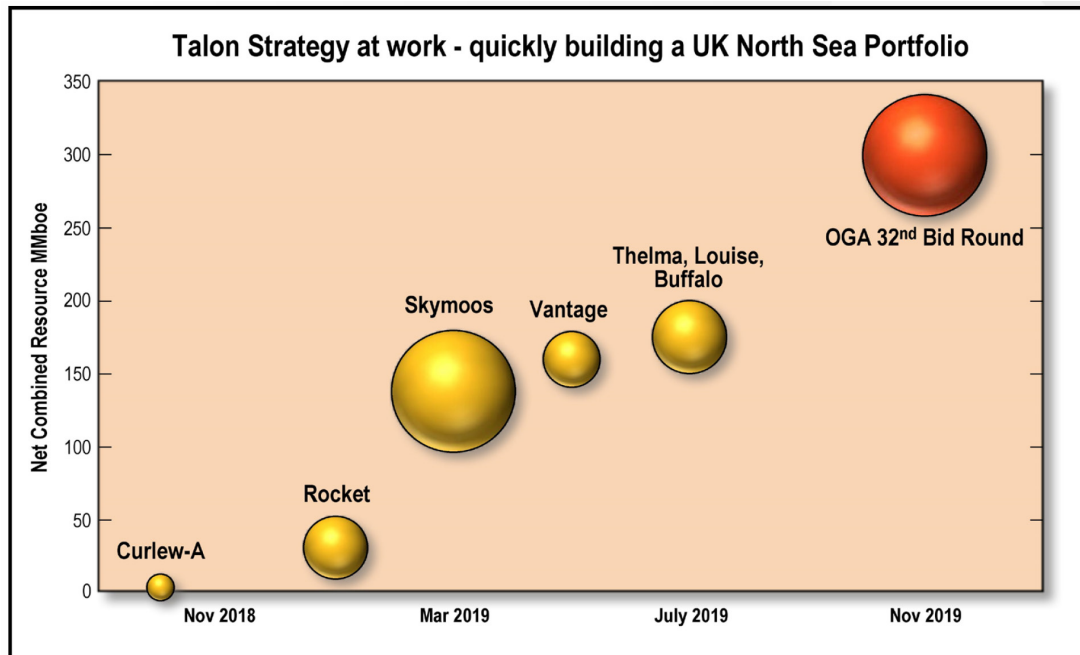
Through the acquisition of these assets over the course of 2019, the Company has continued to successfully execute the first stage of its UK North Sea strategy, which is to assemble a high-impact, low cost exploration portfolio.

**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.**

<sup>1</sup> Refer to ASX announcements dated 31 January 2019 for more information on prospective resources

<sup>2</sup> Refer to ASX announcement dated 5 June 2019 for more information on prospective resources

<sup>3</sup> Refer to ASX announcement dated 30 July 2019 for more information on contingent



**Figure 2: Delivering on the first stage of the UK North Sea Strategy**

## 2. Curlew-A Site Survey Operations Commence and Change to Contingent Resource

During the quarter site survey operations to assess the proposed drill rig location of the Curlew-A appraisal well were completed in Block 29/7b (Licence P2396) in which Talon holds a 10% participating interest.

The timing of the operation was agreed by the joint venture to take advantage of cost savings currently available and to best prepare for drilling in the New Year. The site survey was completed on time and within budget expectations.

Talon also announced a reduction in the certified Contingent Resource initially reported at Curlew-A from a gross 2C Contingent Resource of 45mmboe to 39mmboe (3.9mmboe net to Talon), due to a reduction in associated gas numbers, which has the effect of reducing the overall Contingent Resource on a barrel of oil equivalent basis.

Importantly, the gross 2C Contingent Resource for recoverable oil in respect of Curlew-A remains unchanged at 36.2mmbbl (refer to table below for full information).

|                    | Un-risked Oil in Place |                     | Un-risked Contingent Resource |             |
|--------------------|------------------------|---------------------|-------------------------------|-------------|
|                    | Gross 100% interest    | Gross 100% interest | Talon Net – 10%               |             |
|                    | MMbbl                  | Oil – MMbbl         | Gas – Bscf                    | Mmboe (6:1) |
| Low Estimate – 1C  | 56.5                   | 15.5                | 6.6                           | 1.66        |
| Best Estimate – 2C | 120.0                  | 36.2                | 15.3                          | 3.9         |
| High Estimate – 3C | 186.8                  | 68.3                | 28.9                          | 7.3         |

**Table 1: Curlew-A Contingent Resources**

### **3. UK North Sea farmout process**

Talon is continuing with its farmout efforts on the Skymoos and Rocket prospects, with a view to drilling during 2020. Discussions with interested parties are ongoing and Talon is committed to securing a transaction as expeditiously as possible.

### **4. Upcoming UK Licensing Round**

Talon has been actively reviewing several prospect opportunities within acreage designated for release in the 32<sup>nd</sup> UK offshore licensing round. Bids for this round are due on 12 November 2019.

Talon's primary focus is on acquiring a group of additional licences to substantially grow the Company's prospective resource base, and to provide an ongoing pipeline of farmout and drilling opportunities beyond those already held.

### **Contact Information**

For further information, please contact Matt Worner: [matt@talonpetroleum.com.au](mailto:matt@talonpetroleum.com.au)

## Appendix 5B

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

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

**Name of entity**

TALON PETROLEUM LIMITED

**ABN**

88 153 229 086

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

30 SEPTEMBER 2019

| Consolidated statement of cash flows                      | Current quarter<br>\$A'000 | Year to date<br>(9 months)<br>\$A'000 |
|---|----------------------------|---------------------------------------|
| <b>1. Cash flows from operating activities</b>            |                            |                                       |
| 1.1 Receipts from customers                               | 8                          | 78                                    |
| 1.2 Payments for  |                            |                                       |
| (a) exploration & evaluation                              | (72)                       | (284)                                 |
| (b) development   | -                          | -                                     |
| (c) production  | (18)                       | (112)                                 |
| (d) staff costs   | (134)                      | (366)                                 |
| (e) administration and corporate costs                    | (169)                      | (454)                                 |
| 1.3 Dividends received (see note 3)                       | -                          | -                                     |
| 1.4 Interest received                                     | 10                         | 31                                    |
| 1.5 Interest and other costs of finance paid              | -                          | -                                     |
| 1.6 Income taxes paid                                     | -                          | -                                     |
| 1.7 Research and development refunds                      | -                          | -                                     |
| 1.8 Other (provide details if material)                   | -                          | -                                     |
| <b>1.9 Net cash from / (used in) operating activities</b> | <b>(375)</b>               | <b>(1,107)</b>                        |

|  |   |   |
|--|---|---|
| <b>2. Cash flows from investing activities</b> |   |   |
| 2.1 Payments to acquire:                       |   |   |
| (a) property, plant and equipment              | - | - |
| (b) tenements (see item 10)                    | - | - |
| (c) investments                                | - | - |

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

| Consolidated statement of cash flows |   | Current quarter<br>\$A'000 | Year to date<br>(9 months)<br>\$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
|                                      | (d) other non-current assets                          | -                          | -                                     |
| 2.2                                  | Proceeds from the disposal of:                        |                            |                                       |
|                                      | (a) property, plant and equipment                     | -                          | -                                     |
|                                      | (b) tenements (see item 10)                           | -                          | 29                                    |
|                                      | (c) investments                                       | -                          | -                                     |
|                                      | (d) 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>29</b>                             |

|           |   |   |              |
|-----------|---|---|--------------|
| <b>3.</b> | <b>Cash flows from financing activities</b>                                 |   |              |
| 3.1       | Proceeds from issues of shares  | - | 1,250        |
| 3.2       | Proceeds from issue of convertible notes                                    | - | -            |
| 3.3       | Proceeds from exercise of share options                                     | - | -            |
| 3.4       | Transaction costs related to issues of shares, convertible notes or options | - | (93)         |
| 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 (provide details if material)   | - | -            |
| 3.10      | <b>Net cash from / (used in) financing activities</b>                       | - | <b>1,157</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                             | 2,611        | 2,158        |
| 4.2       | Net cash from / (used in) operating activities (item 1.9 above)              | (375)        | (1,107)      |
| 4.3       | Net cash from / (used in) investing activities (item 2.6 above)              | -            | 29           |
| 4.4       | Net cash from / (used in) financing activities (item 3.10 above)             | -            | 1,157        |
| 4.5       | Effect of movement in exchange rates on cash held                            | -            | (1)          |
| 4.6       | <b>Cash and cash equivalents at end of period</b>                            | <b>2,236</b> | <b>2,611</b> |

| 5. <b>Reconciliation of cash and cash equivalents</b><br>at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts | Current quarter<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1     Bank balances  | 323                        | 308                         |
| 5.2     Call deposits  | 1,913                      | 2,303                       |
| 5.3     Bank overdrafts  | -                          | -                           |
| 5.4     Other (provide details)  | -                          | -                           |
| <b>5.5     Cash and cash equivalents at end of quarter<br/>          (should equal item 4.6 above)</b>   | <b>2,236</b>               | <b>2,611</b>                |

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

6.1     Aggregate amount of payments to these parties included in item 1.2

6.2     Aggregate amount of cash flow from loans to these parties included in item 2.3

6.3     Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Director's fees and reimbursement of corporate administrative costs

**Current quarter  
\$A'000**

114

-

**7.     Payments to related entities of the entity and their associates**

7.1     Aggregate amount of payments to these parties included in item 1.2

7.2     Aggregate amount of cash flow from loans to these parties included in item 2.3

7.3     Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Legal Fees incurred

**Current quarter  
\$A'000**

43

-

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

| 8.  | Financing facilities available<br><i>Add notes as necessary for an understanding of the position</i>   | Total facility amount at quarter end<br>\$A'000 | Amount drawn at quarter end<br>\$A'000 |
|-----|--|---|--|
| 8.1 | Loan facilities  | -   | -                                      |
| 8.2 | Credit standby arrangements  | -   | -                                      |
| 8.3 | Other (please specify)   | -   | -                                      |
| 8.4 | Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well. |   |  |
| NIL |  |   |  |

| 9.  | <b>Estimated cash outflows for next quarter</b> | <b>\$A'000</b> |
|-----|---|----------------|
| 9.1 | Exploration and evaluation                      | (98)           |
| 9.2 | Development                                     | -              |
| 9.3 | Production                                      | (8)            |
| 9.4 | Staff costs                                     | (101)          |
| 9.5 | Administration and corporate costs              | (212)          |
| 9.6 | Other   | -              |
| 9.7 | <b>Total estimated cash outflows</b>            | <b>(419)</b>   |

| 10.  | <b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>                           | <b>Tenement reference and location</b> | <b>Nature of interest</b> | <b>Interest at beginning of quarter</b> | <b>Interest at end of quarter</b> |
|------|---|--|---------------------------|---|-----------------------------------|
| 10.1 | Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced | N/A                                    |                           |   |                                   |
| 10.2 | Interests in mining tenements and petroleum tenements acquired or increased           | N/A                                    |                           |   |                                   |



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**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.

Sign here:

  
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Managing Director

Date: 30 October 2019

Print name: Matt Worner

**Notes**

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly 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 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.