

Quarterly Report for the Period Ending 30 June 2020

Talon Petroleum Limited (ASX: TPD) ("**Talon**" or "**Company**") is pleased to present its June 2020 quarterly report.

1. **Walpyering Farmin and successful capital raising**

Post the period, the Company announced on 21 July 2020, that it had entered into a non-binding term sheet with Strike Energy Limited (Strike) in respect of a farmin by Talon for a 45% interest in EP447, located onshore, Perth Basin, Western Australia and the drilling of a well at the Walpyering wet gas prospect.

Walpyering holds a gross 86Bcf of gas and 2.18mmmbbls of liquids (best estimate in-place prospective resource)¹. Formal agreements and matters in relation to the assignment approvals process are being progressed by Talon and Strike with a view to concluding these as quickly as possible.

Newly acquired and interpreted 3D seismic over EP447 has allowed Strike to apply its Perth Basin technical expertise to Walpyering and reconcile past technical challenges with the prospect. Walpyering's proximity to infrastructure, low CO₂ and high liquids component, will assist with the reduction in development and production costs and commercial viability in the event of success.

As part of the farmin to Walpyering, Talon has also secured a right of first refusal over an entry to EP495, which contains the Ocean Hill discovery. Ocean Hill is currently held 100% by Strike and has a gross 2C Contingent Resource of 360Bcf (gas) and 1.18mmmbbls (condensate)¹.

As consideration for the acquisition of its 45% interest in EP447 and a right of first refusal over EP495, Talon shall contribute A\$6 million towards the cost of an appraisal well on the Walpyering Prospect. The gross well cost is estimated at A\$9 million and the well will be added to Strike's planned 2021 multi-well Perth Basin campaign.

2. **Appointment of David Casey as Managing Director**

The Company appointed Mr David Casey to the position of Managing Director and CEO. Mr Casey has a wealth of experience in the oil and gas sector as a geologist and Managing Director/CEO of ASX listed companies.

Mr Casey was the former Managing Director and CEO of Eastern Star Gas Limited (ESG) and was instrumental in the appraisal, development and commercialisation of the Narrabri Gas Project in Northern NSW. ESG grew to be an ASX 200 company until it was taken over by Santos Limited for A\$924 million. Most recently, Mr Casey was CEO Australia and Asia Pacific at Warrego Energy Limited (ASX:WGO).

¹ Refer to Talon Petroleum Limited ASX release dated 24 July 2020 entitled 'Perth Basin Resource Numbers' for more information on prospective resource and contingent resource

Warrego is a 50% joint venture partner with Strike in the prolific West Erregulla gas discovery in the Perth Basin.

3. Successful A\$5 million capital raising

Subsequent to the quarter, to provide funding for its proposed farm-in with Strike and to progress its current UK North Sea exploration portfolio, Talon successfully raised additional capital in amount of A\$5 million by way of a placement to institutional and sophisticated investors.

The placement was undertaken at an issue price of \$0.002 per share. New shares will be issued alongside a free attaching option on a 1 for 2 basis, and with an exercise price of \$0.004 expiring on 28 February 2022. A shareholder meeting is planned to be held in late-August 2020 to approve the remaining issue of Tranche 2 securities under the placement.

4. UK North Sea farmout process

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

To provide the best opportunity to achieve a farmout transaction, Talon submitted an application to the UK Oil and Gas Authority (OGA) for a one-year work phase extension to its Skymoos Licence. The Company's application has been granted and Talon can continue with the farmout process in the knowledge that tenure to all four of highly prospective licences is secure.

Pleasingly, the recent recovery and stability in the Brent Crude oil price to levels generally above the break-even point for UK North Sea oil projects has seen a renewal of M&A and other activity in the region and is allowing companies operating in the UK North Sea to look forward to future planning with increased certainty.

5. 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 |
|----------------|-----------------|---------------|---------------|----------------------------|
| Curlew-A | North Sea | 29/7b | Granted | 10% |
| Rocket | North Sea | 28/8b & 28/9b | Granted | 100% |

| Project | Location | Block | Status | Beneficial Interest |
|-------------------------|-------------|-----------------|---------|---------------------|
| 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% |
| Walpyring | Perth Basin | EP447 | Granted | 45%** |

** subject to completion of farmin with Strike

No oil and gas blocks were disposed of during the quarter.

In accordance with Section 6.1 & 6.2 of the June 2020 quarter Appendix 5B, Talon provides the following information in relation to payments made during the period to related parties and their associates:

| Description | \$A'000 |
|--|---------|
| Director fees, reimbursement of corporate administrative costs, and exploration and evaluation expenditure | 61 |

--Ends--

Authorised for lodgement by the Board.

Contact Information

For further information, please contact David Casey: david@talonpetroleum.com.au

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")

30 JUNE 2020

| Consolidated statement of cash flows | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|---|----------------------------|---------------------------------------|
| 1. Cash flows from operating activities | | |
| 1.1 Receipts from customers | 19 | 36 |
| 1.2 Payments for | | |
| (a) exploration & evaluation (if expense) | (42) | (123) |
| (b) development | - | - |
| (c) production | (14) | (25) |
| (d) staff costs | (65) | (186) |
| (e) administration and corporate costs | (40) | (118) |
| 1.3 Dividends received (see note 3) | - | - |
| 1.4 Interest received | 4 | 9 |
| 1.5 Interest and other costs of finance paid | - | - |
| 1.6 Income taxes paid | - | - |
| 1.7 Government grants and tax incentives | 27 | 27 |
| 1.8 Other (provide details if material) | - | - |
| 1.9 Net cash from / (used in) operating activities | (111) | (380) |
| 2. Cash flows from investing activities | | |
| 2.1 Payments to acquire: | | |
| (a) entities | - | - |
| (b) tenements | - | - |
| (c) property, plant and equipment | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| | (d) exploration & evaluation (if capitalised) | - | - |
| | (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 | - | - |

| | | | |
|-----------|---|---|---|
| 3. | Cash flows from financing activities | | |
| 3.1 | Proceeds from issues of equity securities (excluding convertible debt securities) | - | - |
| 3.2 | Proceeds from issue of convertible notes | - | - |
| 3.3 | Proceeds from exercise of options | - | - |
| 3.4 | Transaction costs related to issues of equity securities or convertible debt securities | - | - |
| 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 | - | - |

| | | | |
|-----------|--|-------|-------|
| 4. | Net increase / (decrease) in cash and cash equivalents for the period | | |
| 4.1 | Cash and cash equivalents at beginning of period | 1,590 | 1,851 |
| 4.2 | Net cash from / (used in) operating activities (item 1.9 above) | (111) | (380) |
| 4.3 | Net cash from / (used in) investing activities (item 2.6 above) | - | - |

| Consolidated statement of cash flows | | Current quarter \$A'000 | Year to date (6 months) \$A'000 |
|--------------------------------------|---|----------------------------|---------------------------------------|
| 4.4 | Net cash from / (used in) financing activities (item 3.10 above) | - | - |
| 4.5 | Effect of movement in exchange rates on cash held | (8) | - |
| 4.6 | Cash and cash equivalents at end of period | 1,471 | 1,471 |

| 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 | 1,466 | 285 |
| 5.2 | Call deposits | 5 | 1,305 |
| 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) | 1,471 | 1,509 |

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

| Current quarter \$A'000 |
|----------------------------|
| 61 |
| - |

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

| | | | |
|-----------|---|---|--|
| 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) | (111) |
| 8.2 | (Payments for exploration & evaluation classified as investing activities) (item 2.1(d)) | - |
| 8.3 | Total relevant outgoings (Item 8.1 + Item 8.2) | (111) |
| 8.4 | Cash and cash equivalents at quarter end (Item 4.6) | 1,471 |
| 8.5 | Unused finance facilities available at quarter end (Item 7.5) | - |
| 8.6 | Total available funding (Item 8.4 + Item 8.5) | 1,471 |
| 8.7 | Estimated quarters of funding available (Item 8.6 divided by Item 8.3) | 13 |
| | <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:

- 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: 29 July 2020

[Authorised for lodgement by David Casey, Managing Director]

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.