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ASX Announcement
29 October 2020

Quarterly Activity Report for the Period Ending 30 September 2020

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

1. Walyering Farm-in

During the quarter, the Company executed formal documentation with Strike Energy Limited (Strike) in respect to a farm-in agreement over EP447, located in the onshore Perth Basin, Western Australia.

Under the terms of the farm-in, Talon will acquire a non-operated 45% interest in EP447, which contains the Walyering wet gas prospect, as well as a right of first refusal over an entry into the EP495 block to the north, which contains the analogous Ocean Hill gas discovery.

As consideration for the acquisition of interest in EP447, Talon must contribute A$6 million towards the cost of an appraisal well on the Walyering Prospect. The Company has paid a $1 million transaction bond to Strike that will be applied to its free-carry obligations.

The Walyering well, which is expected to cost A$9 million to drill, will be added to Strike's planned 2021 multi-well Perth Basin campaign. Strike has completed its design and identified a proposed location. Subsequent to the end of the quarter, Strike secured the Ensign Rig 970 for the drilling of the Walyering appraisal well. This is a very strong outcome for the JV and Talon shareholders given the intense competition for rigs in WA at the moment.

Walyering holds a gross 86Bcf of gas and 2.18mmbbls of liquids (best estimate in-place prospective resource)[1]. Ocean Hill, which is currently held 100% by Strike, has a gross 2C Contingent Resource of 360Bcf (gas) and 1.18mmbls (condensate).

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.

[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.

Talon confirms that it is not aware of any new information or data that materially affects the information included in that announcement and that all the material assumptions and technical parameters underpinning the estimates contained in that announcement have not materially changed and continue to apply

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Newly acquired and interpreted 3D seismic over EP447 has allowed Strike to apply its Perth Basin technical expertise to Walyering and reconcile past technical challenges with the prospect.

Walyering's proximity to infrastructure and low CO_2, and high liquids components will assist with a reduction in development and production costs and commercial viability in the event of success.

At the end of the quarter, completion of the farm-in remained subject to the receipt of standard regulatory approvals, which was expected in due course. Upon approval, Strike and Talon will form an unincorporated Joint Venture in EP447.

2. Completion of A$5 million capital raising

To provide funding for its proposed farm-in with Strike and to progress its UK North Sea exploration portfolio, Talon successfully completed a share placement to institutional and sophisticated investors to raise A$5 million in July.

The placement was undertaken at an issue price of $0.002 per share. New shares were 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 held in September saw the passing of resolutions to approve the issue of Tranche 2 securities under the placement, the participation of directors David Casey and Peter Stickland in the placement and the issue of the attaching options among other resolutions.

3. Corporate

Subsequent to quarter end Mr Peter Stickland and Mr Graham Doré resigned from the Board to pursue other business interests. The Board welcomed Mr Douglas Jendry.

Mr Jendry has had a distinguished career in the resources sector having worked as a geologist and, over the last 25 years, in various consulting, advisor and director roles with ASX and AIM listed companies. He has broad experience in all aspects of the oil and gas industry has had significant dealings over the years with brokers, investment bankers and various government authorities alike.

4. UK offshore licensing round

As part of the UK's 32nd Offshore Licensing Round, Talon submitted a number of bids for Licence Areas identified as having strong exploration potential and that could be acquired with low cost work program requirements.

In September, the Company was notified by the UK Oil and Gas Authority (OGA) that it had been offered three Licence Areas for which it submitted bids. Formal award letters for these Licence Areas are expected to be received in the near future, with Talon to assess each in the context of its broader UK North Sea portfolio.

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Through the Licensing Round, the OGA awarded 113 licences to 65 different companies, demonstrating strong interest and appetite for oil and gas exploration in the UK North Sea.

5. 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, with several new parties entering the data room during the quarter. However, the timing of any successful farmout remains uncertain.

Talon recently secured a one-year work phase extension to its Skymoos Licence, providing with certainty around tenure for all four of highly prospective licences, which is critical to delivering the best possible outcome in farm-out negotiations.

Also boding well for the process has been the recent recovery and stability in the Brent Crude oil price to around US$40/bbl, which is generally above the break-even point for UK North Sea oil projects. With this development, there has been a return of M&A and other activity to the region.

6. Appendix

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

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

Project	Location	Block	Status	Beneficial Interest
Curlew-A	North Sea	29/7b	Granted	10%
Rocket	North Sea	28/8b & 28/9b	Granted	100%
Skymoos	North Sea	14/29a & 14/30a	Granted	100%
Thelma, Louise, Buffalo	North Sea	14/30b	Granted	100%
Vantage	North Sea	12/26a & 12/27a	Granted	100%
Walyering	Perth Basin	EP447	Granted	45%**

**** subject to regulatory approvals

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

In accordance with Sections 1.2, 6.1 & 6.2 of the September 2020 quarter Appendix 5B, Talon provides the following information:

Section	Description	$A'000
1.2	Expenditure for exploration & evaluation, production, staff and administrative corporate costs	240
6.1 & 6.2	Payments made to related parties and their associates include Directors fees and corporate costs.	49

--Ends--

Authorised for lodgement by the Board.

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Rule 5.5

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	**Quarter ended ("current quarter")**
88 153 229 086	30 SEPTEMBER 2020

Consolidated statement of cash flows		**Current quarter $A'000**	**Year to date (9 months) $A'000**
1.	**Cash flows from operating activities**		
1.1	Receipts from customers	6	42
1.2	Payments for		
	(a) exploration & evaluation (if expense)	(31)	(154)
	(b) development	-	-
	(c) production	(16)	(41)
	(d) staff costs	(141)	(331)
	(e) administration and corporate costs	(52)	(166)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	3	12
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Government grants and tax incentives	27	54
1.8	Other (farmin agreement deposit paid)	(1,000)	(1,000)
1.9	**Net cash from / (used in) operating activities**	**(1,204)**	**(1,584)**

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

+ See chapter 19 of the ASX Listing Rules for defined terms.

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Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 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)	5,000	5,000
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	(293)	(293)
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**	**4,707**	**4,707**

4.	**Net increase / (decrease) in cash and cash equivalents for the period**		
4.1	Cash and cash equivalents at beginning of period	1,471	1,851
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,204)	(1,584)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-

+ See chapter 19 of the ASX Listing Rules for defined terms.

Consolidated statement of cash flows		Current quarter $A'000	Year to date (9 months) $A'000
4.4	Net cash from / (used in) financing activities (item 3.10 above)	4,707	4,707
4.5	Effect of movement in exchange rates on cash held	(4)	(4)
4.6	**Cash and cash equivalents at end of period**	**4,970**	**4,970**

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	4,965	1,466
5.2	Call deposits	5	5
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)**	**4,970**	**1,471**

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	49
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

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7.	**Financing facilities available** *Note: the term "facility' includes all forms of financing arrangements available to the entity.* *Add notes as necessary for an understanding of the sources of finance available to the entity.*	**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)	(1,204)
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)	(1,204)
8.4	Cash and cash equivalents at quarter end (Item 4.6)	4,970
8.5	Unused finance facilities available at quarter end (Item 7.5)	-
8.6	Total available funding (Item 8.4 + Item 8.5)	4,970
8.7	**Estimated quarters of funding available (Item 8.6 divided by Item 8.3)**	**4**
	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.	

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

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

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

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

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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.

Date: 29 October 2020

[Authorised for lodgement by David Casey, Managing Director]

Authorised by: .....

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.