

## Half-Year Financial Accounts

**Talon Energy Ltd (Talon or the Company)** is pleased to provide its Half-Year Financial Accounts for the half-year ended 30 June 2022.

**This Announcement was authorised for release by the Board.**

For further information, please contact:

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**Talon Energy Ltd**  
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**Talon Energy Ltd**  
**ABN 88 153 229 086**

**INTERIM FINANCIAL REPORT**

**30 JUNE 2022**

**TALON ENERGY LTD**  
**Consolidated Interim Financial Report 30 June 2022**

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**TALON ENERGY LTD**  
**Consolidated Interim Financial Report 30 June 2022**

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**Corporate Directory**

**Directors**

**Douglas Jendry**  
Non-Executive Chairman

**Colby Hauser**  
Managing Director and CEO

**David Casey**  
Non-Executive Director

**Matt Worner**  
Non-Executive Director

**Company Secretary (Joint)**

**David Lim**  
**Lauren Nelson**

**Registered Office and Principal  
Place of Business**

1202 Hay Street  
West Perth WA 6005  
Tel: +61 8 6319 1900

**Auditors**

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5 Spring Street  
Perth WA 6000  
Telephone: +61 8 6382 4600

**Share Registry**

Computershare Investor Services Pty Ltd  
Level 11, 172 St Georges Terrace  
Perth WA 6000  
Australian Telephone: +61 8 6188 0800  
International Telephone: 1300 850 505  
[www.computershare.com.au](http://www.computershare.com.au)

**Solicitors**

Steinepreis Paganin  
Level 4, The Read Buildings  
16 Milligan Street  
Perth WA 6000

**Securities Exchange Listing**

Australian Securities Exchange Limited  
ASX Code: TPD

**Website and Corporate Governance  
Statement**

[www.talonenergy.com.au](http://www.talonenergy.com.au)

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'consolidated entity' or the 'Group') consisting of Talon Energy Ltd (referred to hereafter as the 'Company' or 'Talon') and the entities it controlled at the end of, or during, the half-year ended 30 June 2022.

#### Directors and Company Secretary

The names of the Directors and Company Secretaries in office at any time during or since the end of the report period are:

Douglas Jendry	Non-Executive Chairman
Colby Hauser	Managing Director & CEO (appointed 8 March 2022)
David Casey	Non-Executive Director (transition from Managing Director effective 1 January 2022)
Matt Worner	Non-Executive Director (transition from Executive Director effective 1 July 2022)
Stephen Jenkins	Non-Executive Director (resigned 23 February 2022)
David Lim	Company Secretary (Joint)
Lauren Nelson	Company Secretary (Joint)

#### Principal activities

During the period the principal continuing activities of the consolidated entity consisted of the exploration and evaluation of oil and gas projects. The portfolio of assets focussed on during the half-year were the Perth Basin assets and the South Gobi Basin, Mongolian assets.

#### Financial Review

During the half-year the Group incurred a loss after income tax of \$9,352,788 (Jun 2021: \$2,325,172), with a net cash position at 30 June 2022 of \$10,918,887 (Dec 2021: 6,717,283) and net operating cash outflows of \$6,415,808 (June 2021: \$874,085).

#### Dividends Paid or Recommended

No dividends have been paid or declared for payment during the financial period.

#### Operational Review

During the first half of FY22 Talon's main focus was on exploration activities as its 45% owned Walyering Convention Gas Project located on shore in the Perth Basin, Western Australia, where worked continued on progressing the Project towards development. In addition to the drilling and appraisal work undertaken at farm in activities continued at the Gurvantes XXXV Coal Seam Gas project located in Southern Mongolia and the Condor Prospect located in the Perth Basin.

#### Perth Basin

##### EP447 Joint Venture - Walyering (45%)

Talon has a 45% interest in the EP447 Joint Venture (EP447 JV), with Strike Energy Limited (55%). The EP447 JV operates over Petroleum Exploration Permit EP447, located on shore in the Perth Basin, Western Australia. In December 2021 EP447 JV's first appraisal well, Walyering-5, intersected 4 gas charged reservoirs in the Cadda Formation sandstones and the deeper Cattamara Sands. Following the successful drilling of Walyering-5, further exploration work continued on the Walyering Project including flow testing of Walyering-5 and the drilling of the JV's second well, Walyering-6.

Image 1: Flow testing underway at Walyering-5

Table 1: Walyering-5 Well Results

Reservoir	Interval Top TVDss (-m)	Average Porosity (%)	Perf interval (m)	Reservoir Pressure (Est. psi)	Peak Rate (MMscfd)	Stabilised Rate (MMscfd)	Choke Setting (")	FWHP (psi)	Length of Test (hrs)
A Sand	2,969	17.3	16	4,388	59	52	64/64	2557	>24
B Sand	3,045	14.5	32	4,552	32	28	48/64	2175	>24
C Sand	3,154	16.4	10	4,850	32	27	48/64	2083	>24
D Sand	3,212	13.9	18	4,655	13	10	48/64	813	>24
Comingled Flow	-	15.4	76	-	75	67	72/64	2,634	~3

Further detail regarding the flow testing results can be found in Talon's ASX Announcement dated 19 May 2022

Flow testing of Walyering-5 yielded positive results with both peak (75mmscf/d), and stabilised co-mingled (67mmscf/d) flow rates exceeding initial expectations, indicating commercial gas quantities and flow rates.

Following the success of Walyering-5, the JV's second well, Walyering-6 commenced drilling in late April, drilling to a final depth of 3,551m in mid-May, intersecting a number of gas accumulations in the Cadda Formation, and the deeper Cattamarra Coal Measures.

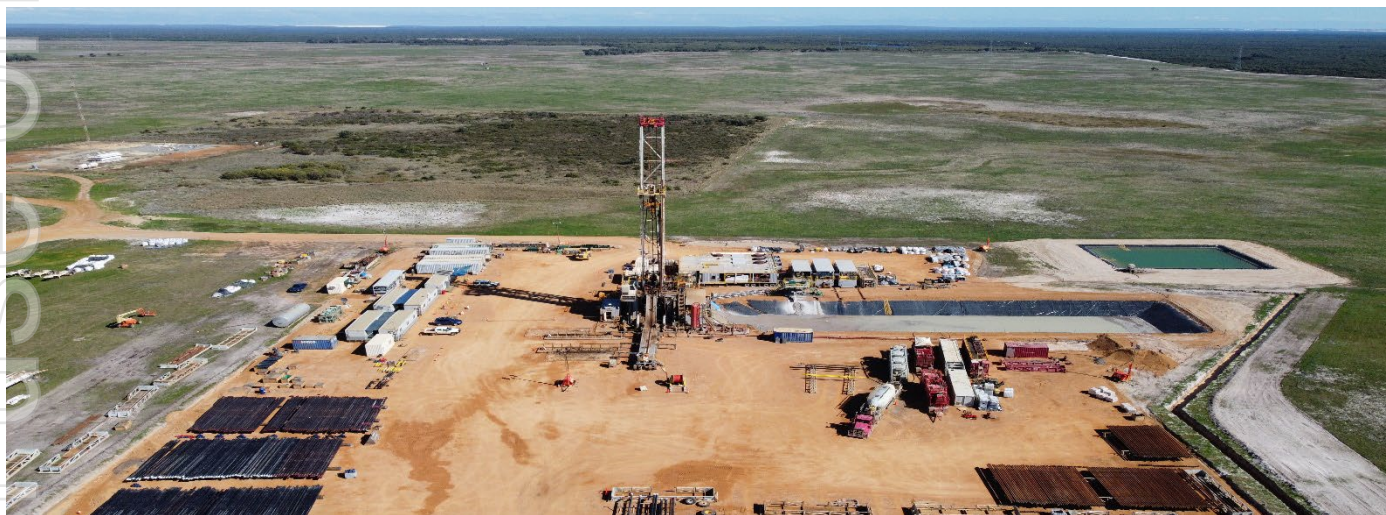


Image 1: Drilling of Walyering-6

Flow testing of Walyering-6 was completed subsequent to the end of the Half-Year, with well test results from both Walyering-5 and Walyering-6 culminating in a re-estimation of the Walyering Project's Hydrocarbon Resources, and certification of Talon's Maiden Gas/Condensate Reserve over the Walyering Gasfield.

#### Development Activities

During the Half-Year development activities related the Walyering Project progressed alongside the exploration and evaluation activities being undertaken. This included the award of the Front-End Engineering and Design, and detailed design for the proposed Walyering gas and condensate processing facility to Momentum Engineering. EP447 JV Operator Strike Energy Limited also commenced planning for the future development of Walyering, which included developing contracting and procurement strategies to secure long lead items required to streamline the construction phase of development, and preparation of submissions for requisite development approvals.

Additional details relating the development activities for the Walyering Project can be found the Subsequent Events section below.

#### **Condor Prospect (Talon earning 100%)**

The Condor Structure (**Condor**) is located within EP 494, a petroleum exploration permit currently held by Macallum Group Limited (**Macallum**), and situated on shore in the Perth Basin, Western Australia. In March 2021 Talon entered into an agreement with Macallum giving Talon an option to acquire blocks 7977, 8049 and 8121 located within EP 494 and SP 34 AO (previously SP-0081) (**Condor Tenure**), subject to a number of conditions precedent.

Walyering Project has resulted in a material upgrade to the Resource potential of Condor, with reservoirs at Condor expected to be significantly shallower than those encountered at Walyering, which has the potential to result in improved reservoir quality, and reduced drilling and completion costs for any future discovery. Condor's moderate well costs, expected low CO<sub>2</sub> levels and proximity to key transport and pipeline infrastructure, mean that it is ideally placed for commercial development in the event of exploration success.

Based on the exploration success seen at Talon's 45% owned Walyering Gasfield, subsequent to 30 June 2022, Talon gave notice to Macallum that it wishes to be assigned the Condor Tenure, with both parties currently working towards the satisfaction of the outstanding conditions precedent required to facilitate the transfer of ownership of the Condor Tenure to Talon.

Condor has been mapped by Talon as the Perth Basin's largest, untested wet gas structure within conventional Jurassic reservoirs, and has an existing Prospective Resource estimate details of which are set out in table 2 below.



Table 2: Condor Structure Resource estimate

Condor Structure Un-risked Prospective Resource Talon 100% (subject to transfer)						
	Low (P90)		Best (P50)		High(P10)	
	Condensate (MMbbl)	Gas (Bcf)	Condensate (MMbbl)	Gas (Bcf)	Condensate (MMbbl)	Gas (Bcf)
EP494	9.5	202	20.2	408	39	710

**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. For more information on the above Prospective Resources, refer to ASX announcement dated 17 March 2021. Talon confirms that it is not aware of any new information or data, other than the recently independently certified Reserves and Resources at the Walyering Gasfield, 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.

*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.*

#### Gurvantes XXXV CSG Project (earning a 33% interest)

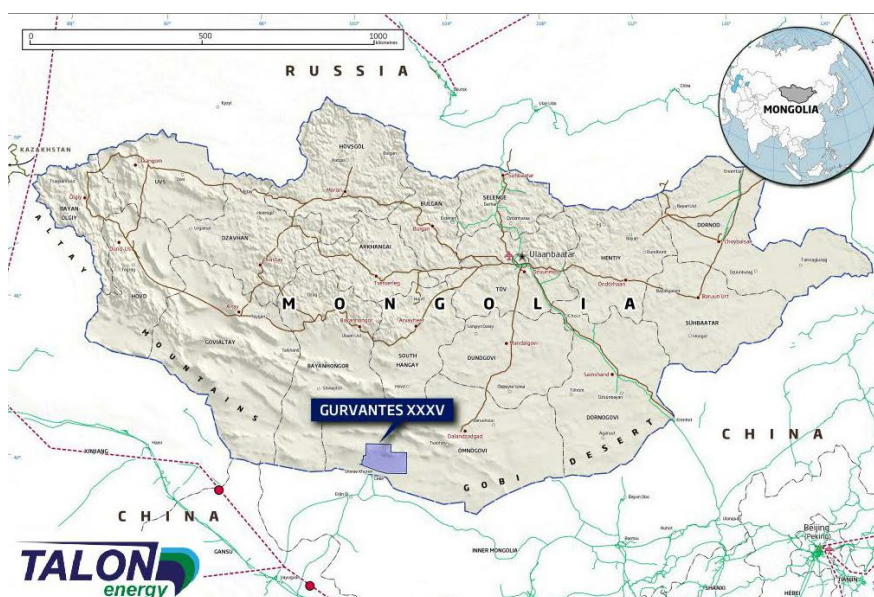
Under a Farm In Agreement signed with Telmen Resource LLC (Telmen) in January 2021, a wholly owned subsidiary of ASX Listed TMK Energy Ltd, Talon is farming into a 33% interest into a Production Sharing Agreement over the Gurvantes XXXV Coal Seam Gas Project located in Southern Mongolia.

Gurvantes XXXV covers 8,400km<sup>2</sup> of what is considered one of the most prospective Coal Seam Gas basins globally.

In February 2022, Telmen secured government approval for Gurvantes XXXV's Environmental Impact Assessment, the final approval required to commence exploration activities.

As part of its Farm In obligations Talon is required to wholly fund the initial US\$1.5M 4-hole drilling campaign targeting coal seams located in the western portion of the Gurvantes XXXV project area, which will be used to further define the Resource potential of the project area.

The Gurvantes XXXV Project has an existing independently certified 5.96 TCF (2U risked) Gross Prospective Resource, with the results of the first stage of drilling and analysis program aimed at expanding the CSG Resources located at Gurvantes XXXV.



The existing Prospective Resource at Gurvantes XXXV is set out below:

#### Gurvantes XXXV Coal Seam Gas Project Gross (100%) Prospective Gas Resources (TCF)

Region	Unrisked Prospective Resource (TCF)			Risked Prospective Resource (TCF)		
	1U (Low)	2U (Best)	3U (High)	1U (Low)	2U (Best)	3U (High)
Prospect Area	1.30	2.02	3.38	1.17	1.82	3.04
Lead Area	6.89	17.94	38.24	1.95	4.14	8.21
<b>Total</b>	<b>8.19</b>	<b>19.96</b>	<b>41.62</b>	<b>3.12</b>	<b>5.96</b>	<b>11.25</b>

Gas volumes are expressed in the table above are in trillion cubic feet (TCF) at standard temperature and pressure bases.

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

Talon's net (33%) Prospective Gas Resources (TCF)\*

Region	Unrisked Prospective Resource (TCF)			Risky Prospective Resource (TCF)		
	1U (Low)	2U (Best)	3U (High)	1U (Low)	2U (Best)	3U (High)
Prospect Area	0.43	0.66	1.12	0.39	0.60	1.00
Lead Area	2.28	5.92	12.62	0.64	1.37	2.71
<b>Total</b>	<b>2.71</b>	<b>6.58</b>	<b>13.74</b>	<b>1.03</b>	<b>1.97</b>	<b>3.71</b>

Gas volumes are expressed in the table above are in trillion cubic feet (TCF) at standard temperature and pressure bases.

\*Subject to completion of Farmout and transfer of 33% participating interest in Gurvantes XXXV

**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. For more information on the above Prospective Resources, refer to ASX announcement dated 18 August 2021. Talon confirms that 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.

During the Half-Year drilling of the first two core holes, of the Stage 1 drilling program at the Gurvantes XXXV Project, Snow Leopard-1 and 2, was completed, with the 3<sup>rd</sup> core hole, Snow Leopard-3 spudded in mid-June. These core holes form part of Talon's Stage 1, four-hole farm in obligations under the Gurvantes Farm-In Agreement.

Snow Leopard-1 intersected 60 metres of gassy coal, with preliminary desorption analysis indicating gas content in the range of 7.5m<sup>3</sup>/t - 12.5m<sup>3</sup>/t on an as received basis, high Methane levels averaging ~96%, and low CO<sub>2</sub> (averaging ~3%).

The second core hole, Snow Leopard-2, which commenced drilling in mid-May, intersected 2 coal seams, with the first 70 metres of gassy coal intercepted at a depth of 170 metres down hole, and a further coal seam 21 metres thick, was intersected at 457 metres down hole.

Downhole geophysical surveys and permeability testing were undertaken on both holes, which included Drill Stem Testing and Injection Fall off Testing.

Snow Leopard-3 was spudded in mid-June and completed post 30 June 2022.

Subsequent to the end of Half-Year, TMK Energy Ltd the owner of Gurvantes XXXV announced the results from the initial 3 core holes:

		SL-01	SL-02	SL-03
Drill Hole	Date completed	May 22	Jun 22	Jul 22
	Total Depth	675m	540m	348m
Gas Content	Top Coal Intersection depth	405m	170m	190m
	Net Coal Thickness	60m	91m	60m
Gas Content	Avg. Gas Content m <sup>3</sup> /t (as received basis)	13.2	9.3	9.8
	Avg. Gas Content m <sup>3</sup> /t (dry, ash free basis)	15.7	10.6	11.8
Gas Composition	Methane (Avg.)	96%	97%	95%
	CO <sub>2</sub> (Avg.)	3.0%	1.4%	2.8%
Permeability (Upper Seam)	Flow Capacity mD.m	4.1	1,090	760
	Coal Permeability mD	0.1	47	15

### UK North Sea

During the Half-Year Talon announced that following an internal review of its operations the board had made a decision to exit its portfolio of UK North Sea exploration assets in order to focus attention on its more advanced projects, Walyering (Perth Basin) and Gurvantes XXXV (Mongolia).

Subsequent to the end of the Half-Year Talon's exit from its UK portfolio was completed with the transfer of UK North Sea Licence P2527 to Finder Exploration Holdings Limited (Finder) approved by the UK authorities. Under P2527 Sale Agreement with Finder, Talon is entitled to receive 12.5% of gross income received by Finder in relation to P2527 (for example, any cash received for farmout or divestment), which converts to a royalty of 3% of Finder's net share of produced petroleum during the production phase.

### Corporate

As a result of Talon's exit from its UK portfolio of exploration tenure, Mr. Stephen Jenkins, stepped down from his position as Non-executive Director of the Company on 23 February 2022.

On 3 March 2022, experienced energy sector executive, Mr Colby Hauser, was appointed Managing Director and CEO of Talon. Mr Hauser was previously General Manager, Commercial at Strike Energy Limited.

During the Half-Year Talon completed an \$11.0M Placement (before costs) and a Share Purchase Plan to raise a further \$2.529M (before costs) to help fund the Company's ongoing exploration activities.



# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

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At the Company's Annual General Meeting held in May 2022, shareholders agreed to consolidate the securities of the Company on issue, including Fully Paid Ordinary Shares, Performance Rights and Options, on a 20:1 basis, with the consolidation process completed in July, subsequent to the end of the reporting period.

### Subsequent Events

On 1 July 2022, Mr Matt Worner, a Director of the Company transition from his role as an Executive Director a Non-executive Director role.

On 6 July 2022, the company issued a letter of intent to Macallum Group Ltd to exercise its' option to acquire a 100% interest in the Condor Project, being EP393 and SPA-0081 (Mucheia Blocks) for an additional consideration of \$350,000 worth of Talon Shares and an overriding royalty of 1.95% on all hydrocarbon product sales. Both parties are currently working towards the satisfaction of the outstanding conditions precedent required to facilitate the transfer.

On 18 July 2022, the Company held a general meeting of shareholders and received approval for the following:

- Share consolidation of the Company's issued securities, on a ratio of 20:1, that is, each 20 securities on issue prior to the consolidation, were consolidated to one security post consolidation. The effective date for the conversion of securities under the shareholder approved Securities Consolidation was 19 July 2022.
- Issue of shares to related parties in relation to the private placement completed in May 2022. 1,237,500 ordinary shares were issued (on a post-consolidation basis) to Directors: David Casey (300,000) and Colby Hauser (937,500) on the 16<sup>th</sup> and 17<sup>th</sup> of August 2022 respectively.

On 21 July 2022, the Company announced, along with Joint venture partner Strike Energy Ltd (ASX: STX) the independent certification of its Maiden Gas/Condensate reserves for the Walyering Gas field located on Exploration permit EP447, in the onshore Perth Basin, Western Australia. Subsequently, on 15 August 2022, the Company announced its Final Investment Decision to proceed with the commercial development of the project.

On 29 July 2022, the Company announced its Limited First Right of Refusal on EP495 (Ocean Hill). As previously reported, under the terms of the Farm-in agreement between the Company and Strike Energy, with respect to EP447 (Walyering), Talon was granted a first right of refusal should Strike wish to seek farm-in partners for its EP495 petroleum permit (containing the Ocean Hill conventional Jurassic gas discovery). During the reporting period, the parties ceased discussions surrounding Talon's farm in opportunity as the parties were unable to agree on commercial terms. As a result, Strike continues to retain its interest in EP495, and Talon retains a (limited) first right of refusal should Strike seek to conclude a farm-in transaction with a third party on terms more favourable than those recently discussed with Talon.

The Directors are not aware of any other matters or circumstances not otherwise dealt with in this interim report that have significantly, or may significantly affect the operations, results or state of affairs of the Group.

### Auditor's Independence Declaration

The lead auditor's independence declaration under section 307C of the Corporations Act 2001 is set out on page 9 for the half-year ended 30 June 2022.

This report is signed in accordance with a resolution of the Board of Directors.



Douglas Jendry

Non-Executive Chairman

Dated 12 September 2022

## DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF TALON ENERGY LTD

As lead auditor for the review of Talon Energy Ltd for the half-year ended 30 June 2022, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Talon Energy Ltd and the entities it controlled during the period.



Dean Just  
Director

BDO Audit (WA) Pty Ltd

Perth

12 September 2022

# TALON ENERGY LIMITED

## Consolidated Interim Financial Report 30 June 2022

### Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the half-year ended 30 June 2022

	Note	30-June-22 \$	30-June-21 \$
Revenue		-	8,222
Cost of oil and gas sold		-	(7,251)
<b>Net margin on sale of oil and gas</b>		<b>-</b>	<b>971</b>
Other income		4,444	9,953
Employee benefit expenses		(116,313)	(64,080)
Professional and consultancy fees		(143,036)	(996,591)
Marketing		(37,398)	(69,148)
Travel expenses		(26,689)	(20,841)
Corporate expenses		(75,518)	(47,298)
Directors' fees		(231,975)	(247,488)
Administrative expenses		(57,800)	(70,968)
Share based payment expense	15	(653,279)	(612,020)
Exploration expenditure expensed as incurred	6	(7,957,354)	(180,641)
Other expenses		(73,442)	(24,859)
Depreciation		(13)	-
Foreign exchange gain / (loss)		15,585	(2,162)
<b>Loss before income tax</b>		<b>(9,352,788)</b>	<b>(2,325,172)</b>
Income tax benefit		-	-
<b>Loss after income tax</b>		<b>(9,352,788)</b>	<b>(2,325,172)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign exchange translation differences, net of tax		146,589	(576)
<b>Other comprehensive income/(loss) (net of tax) for the period</b>		<b>146,589</b>	<b>(576)</b>
<b>Total comprehensive (loss) attributable to owners of the Company</b>		<b>(9,206,199)</b>	<b>(2,325,748)</b>
		<b>Cents</b>	<b>Cents</b>
<b>Basic earnings / (loss) per share</b>		<b>(0.13)</b>	<b>(0.04)</b>
<b>Diluted earnings / (loss) per share</b>		<b>(0.13)</b>	<b>(0.04)</b>

The above consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes.

# TALON ENERGY LIMITED

## Consolidated Interim Financial Report 30 June 2022

### Consolidated Statement of Financial Position

As at 30 June 2022

		30 June 2022 \$	31 December 2021 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	10,918,887	6,717,283
Trade and other receivables	8	446,838	145,831
<b>Total Current Assets</b>		<b>11,365,725</b>	<b>6,863,114</b>
<b>Non-Current Assets</b>			
Exploration and evaluation assets	9	10,617,741	8,948,069
Property, Plant & Equipment		801	-
<b>Total Non-Current Assets</b>		<b>10,618,542</b>	<b>8,948,069</b>
<b>Total Assets</b>		<b>21,984,267</b>	<b>15,811,183</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	11	2,689,603	1,528,956
Provisions		16,341	5,128
Deferred consideration	12	725,974	688,375
<b>Total Current Liabilities</b>		<b>3,431,918</b>	<b>2,222,459</b>
<b>Total Liabilities</b>		<b>3,431,918</b>	<b>2,222,459</b>
<b>Net Assets</b>		<b>18,552,349</b>	<b>13,588,724</b>
<b>Contributed Equity</b>			
Issued share capital	13	65,480,747	51,889,202
Reserves	14	6,734,165	6,009,297
Accumulated losses		(53,662,563)	(44,309,775)
<b>Total Equity</b>		<b>18,552,349</b>	<b>13,588,724</b>

The above consolidated statement of financial position and should be read in conjunction with the accompanying notes.

# TALON ENERGY LIMITED

## Consolidated Interim Financial Report 30 June 2022

### Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2022

	Issued Share Capital	Share Based Payment Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	\$	\$	\$	\$	\$
<b>Balance at 1 January 2022</b>	51,889,202	3,367,810	2,641,487	(44,309,775)	13,588,724
<b>Total comprehensive loss for the period</b>					
Loss after income tax expense for the period	-	-	-	(9,352,788)	(9,352,788)
Foreign exchange translation differences	-	-	146,589	-	146,589
<b>Total comprehensive loss for the period</b>	-	-	146,589	(9,352,788)	(9,206,199)
Issue of shares, net of transaction costs	12,466,145	-	-	-	12,466,145
Transfer from conversion of performance rights	75,000	(75,000)	-	-	-
Exercise of options	1,050,400	-	-	-	1,050,400
Share based payments	-	653,279	-	-	653,279
<b>Balance at 30 June 2022</b>	<b>65,480,747</b>	<b>3,946,089</b>	<b>2,788,076</b>	<b>(53,662,563)</b>	<b>18,552,349</b>
<b>Balance at 1 January 2021</b>	42,804,237	522,279	2,640,653	(40,030,178)	5,936,991
<b>Total comprehensive loss for the period</b>					
Loss after income tax expense for the period	-	-	-	(2,325,172)	(2,325,172)
Foreign exchange translation differences	-	-	(576)	-	(576)
<b>Total comprehensive loss for the period</b>	-	-	(576)	(2,325,172)	(2,325,748)
Issue of shares, net of transaction costs	4,095,333	530,520	-	-	4,625,853
Exercise of options	1,384,000	-	-	-	1,384,000
Acquisition of asset (Condor)	432,000	-	-	-	432,000
Share based payments	120,000	1,354,748	-	-	1,474,748
<b>Balance at 30 June 2021</b>	<b>48,835,570</b>	<b>2,407,547</b>	<b>2,640,077</b>	<b>(42,355,350)</b>	<b>11,527,844</b>

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.



# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Consolidated Statement of Cash Flows

For the half-year ended 30 June 2022

	30-June-22	30-June-21 \$
<b><i>Cash flows from operating activities</i></b>		
Cash receipts from customers	3,496	7,990
Payments to suppliers and employees	(827,059)	(680,060)
Payment of exploration and evaluation expenditure	(5,594,529)	(211,941)
Interest received	2,284	9,926
<b>Net cash (used in) operating activities</b>	<b>(6,415,808)</b>	<b>(874,085)</b>
<b><i>Cash flows from investing activities</i></b>		
Acquisition costs relating to exploration projects	(2,860,998)	(289,500)
Payments for property, plant, and equipment	(814)	-
<b>Net cash (used in) investing activities</b>	<b>(2,861,812)</b>	<b>(289,500)</b>
<b><i>Cash flows from financing activities</i></b>		
Proceeds from the issuance of shares via capital raisings	13,326,000	5,000,000
Proceeds from the exercise of options	1,050,400	1,384,000
Share issue costs	(912,761)	(374,147)
<b>Net cash provided by financing activities</b>	<b>13,463,639</b>	<b>6,009,853</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>4,186,019</b>	<b>4,846,268</b>
Cash and cash equivalents at beginning of period	6,717,283	4,657,871
Foreign exchange movement of cash	15,585	(3,153)
<b>Cash and cash equivalents at end of period</b>	<b>10,918,887</b>	<b>9,500,986</b>

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

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# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements

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#### 1. CORPORATE INFORMATION

The Interim Consolidated Financial Statements cover Talon Energy Ltd ("Talon" or the "Company") as a consolidated entity consisting of Talon and the entities it controlled (the "Group") at the end of, or during, the half-year. The Interim Consolidated Financial Statements are presented in Australian dollars, which is Talon's functional and presentation currency.

Talon is a Company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange.

The consolidated interim financial report of Talon and its controlled entities was authorised for issue in accordance with a resolution of the Directors dated 9 September 2022.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the interim half-year reporting period ended 30 June 2022 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general-purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2021 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, unless otherwise stated.

##### *New or amended Accounting Standards and Interpretations adopted*

The consolidated entity has adopted all the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

#### 3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these Interim Consolidated Financial Statements, significant estimates and judgements made by management in applying the Company's accounting policies and key sources of estimation uncertainty were the same as those that were applied to the Consolidated financial statements as at and for the year ended 31 December 2021.

#### 4. GOING CONCERN

The consolidated financial statements have been prepared on a going concern basis, which assumes that the Group will be able to realise its assets and extinguish its liabilities in the ordinary course of business.

The Group incurred a loss of \$9,352,788 (30 June 2021: \$2,325,172) for the period ended 30 June 2022 and had cash and cash equivalents of \$10,918,887 (31 December 2021: \$6,717,283) as at that date, with net cash outflows from operations of \$6,415,808 (30 June 2021: \$874,085) for the period.

These conditions indicate a material uncertainty that may cast a significant doubt about the Group's ability to continue as a going concern and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business.

The interim financial statements have been prepared on the basis that the Group is a going concern, which contemplates the continuity of normal business activity, realisation of assets and settlement of liabilities in the normal course of business for the following reasons:

- The Directors are of the opinion that the Group's exploration and development assets will attract further capital investment when required, as demonstrated in recent capital raisings completed during the reporting period; and
- The Directors expect the Group to be successful in securing additional funds through debt or equity issues, when and if required.

Should the Group not be able to continue as a going concern, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the interim financial statements. The interim financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or liabilities that might be necessary should the entity not continue as a going concern.

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements (continued)

#### 5. OPERATING SEGMENTS

##### Identification of reportable operating segments

The Group is organised into two operating segments based on the geographical dispersion of the Group's exploration and evaluation assets situated in Perth Basin, Western Australia and South Gobi Basin, Mongolia. A summary of the Group's operating segments can be found in the below table.

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. The Group's administrative and corporate activities in Australia do not constitute an operating segment.

The Board reviews financial information on the same basis as presented in the consolidated financial statements and the accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the consolidated financial statements.

The information reported to the CODM is on a monthly basis.

##### Intersegment receivables, payables, and loans

Intersegment loans are initially recognised at the consideration received. Intersegment loans receivable and loans payable that earn or incur non-market interest are not adjusted to fair value based on market interest rates. Intersegment loans are eliminated on consolidation.

	Perth Basin, Australia	South Gobi Basin, Mongolia	Total
	\$	\$	\$
<b>Consolidated - 30 June 2022</b>			
Revenue	-	-	-
Expenditure	(7,941,184)	10,167	(7,931,017)
Loss before income tax expense	(7,941,184)	10,167	(7,931,017)
<i>Unallocated expenditure</i>			(1,421,771)
Income tax expense			-
Loss after income tax expense			(9,352,788)
<b>Assets</b>			
Segment Assets	7,667,018	4,162,199	11,829,217
<i>Unallocated assets</i>			
Cash and cash equivalents			9,940,419
Trade and other receivables			213,830
Property, plant & equipment			801
Total Assets			21,984,267
<b>Liabilities</b>			
Segment Liabilities	2,621,701	725,974	3,347,675
<i>Unallocated liabilities</i>			
Trade and other payables			84,243
Total Liabilities			3,431,918

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements (continued)

	Perth Basin, Australia	South Gobi Basin, Mongolia	Total
	\$	\$	\$
<b>Consolidated - 30 June 2021</b>			
Revenue	-	-	-
Expenditure	-	-	-
Loss before income tax expense	-	-	-
<i>Unallocated revenue</i>			8,222
<i>Unallocated expenditure</i>			(2,333,394)
Income tax expense			-
Loss after income tax expense			(2,325,172)
<b>Consolidated - 31 December 2021</b>			
<b>Assets</b>			
Segment Assets	6,642,012	2,456,337	9,098,349
<i>Unallocated assets</i>			
Cash and cash equivalents			6,579,293
Trade and other receivables			133,541
<b>Total Assets</b>			<b>15,811,183</b>
<b>Liabilities</b>			
Segment Liabilities	1,366,665	688,375	2,055,040
<i>Unallocated liabilities</i>			
Trade and other payables			167,419
<b>Total Liabilities</b>			<b>2,222,459</b>

## 6. EXPLORATION EXPENDITURE

	30 June 2022 \$	30 June 2021 \$
EP447 - Walyering	7,878,369	-
Perth Basin - Condor EP494 /Mucnea SPA-0081	47,669	51,979
Other exploration expenditure	31,316	128,662
<b>Total exploration expenditure</b>	<b>7,957,354</b>	<b>180,641</b>

## 7. CASH AND CASH EQUIVALENTS

	30 June 2022 \$	31 December 2021 \$
Cash at bank	5,604,273	6,706,984
Cash on deposit	4,510,326	10,299
Cash held in Joint operation - EP447 Walyering	808,288	-
<b>Total cash and cash equivalents</b>	<b>10,918,887</b>	<b>6,717,283</b>



# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements (continued)

#### 8. TRADE AND OTHER RECEIVABLES

	30 June 2022 \$	31 December 2021 \$
Other receivables <sup>1</sup>	383,728	88,110
Prepayments	35,810	30,421
Security deposit	27,300	27,300
<b>Total trade and other receivables</b>	<b>446,838</b>	<b>145,831</b>

<sup>1</sup>Includes \$227,128 representing the Groups' 45% interest in GST receivable pertaining to EP447 -Walyering. Refer to note 10 for further information on the Groups' interest in joint arrangements.

#### 9. EXPLORATION AND EVALUATION ASSETS

	30 June 2022 \$	31 December 2021 \$
Opening net book amount	-	341,137
Impairment (Skymoos & Rocket)	-	(341,137)
<b>Subtotal</b>	<b>-</b>	<b>-</b>
<i>EP447 - Walyering</i>		
Opening net book amount	6,000,000	-
Farm-in deposit with Strike Energy <sup>1</sup>	-	1,000,000
Acquisition costs <sup>1</sup>	-	5,000,000
<b>Subtotal</b>	<b>6,000,000</b>	<b>6,000,000</b>
<i>Gurvantes XXXV</i>		
Opening net book amount	2,318,347	-
Acquisition costs <sup>2</sup>	1,669,672	2,318,347
FX Movements <sup>3</sup>	174,363	-
<b>Subtotal</b>	<b>3,988,019</b>	<b>2,318,347</b>
<i>EP494 - Condor</i>		
Opening net book amount	629,722	-
Acquisition costs	-	629,722
<b>Subtotal</b>	<b>629,722</b>	<b>629,722</b>
<b>Total exploration and evaluation assets</b>	<b>10,617,741</b>	<b>8,948,069</b>

<sup>1</sup>In accordance with the Group's accounting policy, the acquisition terms of the 45% farm-in were met during the prior reporting period. All amounts exceeding the \$6,000,000 farm-in consideration are expensed in profit or loss.

<sup>2</sup>Balance includes \$725,974 in deferred consideration pertaining to the anticipated size of the 2C contingent resource association with the Group's farm-in interest in the Gurvantes XXXV project. Refer to note 12 for further information on deferred consideration.

<sup>3</sup>At 30 June 2022 the farm-in to Gurvantes XXXV has yet to be completed, with further farm-in conditions and/or acquisitions costs required prior to legal entitlement. As the agreements give Talon the right to undertake exploration, FX movements have been capitalised in accordance with AASB 6 and the Group's accounting policies.

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements (continued)

#### 10. INTEREST IN JOINT ARRANGEMENTS

The consolidated entity has recognised its share of jointly held assets, liabilities, revenues, and expenses of joint operations. These have been incorporated in the financial statements under the appropriate classifications. Information relating to joint operations that are material to the consolidated entity are set out below:

	Country of Incorporation	Ownership Interest	
		30 June %	31 December %
Joint Operations			
EP447 - Walyering <sup>1</sup>	Australia	45%	45%

<sup>1</sup>Joint operation with Strike Energy Limited (ASX: STX)

In addition to the above and as at the date of this report, the Group's continues to farm-in to a 33% interest in the Gurvantes XXXV project with Telmen Resources LLC.

#### 11. TRADE AND OTHER PAYABLES

	30 June 2022 \$	31 December 2021 \$
Trade payables	56,662	63,063
Accruals <sup>1</sup>	2,620,888	1,448,076
Other payables	12,053	17,817
<b>Total trade and other payables</b>	<b>2,689,603</b>	<b>1,528,956</b>

<sup>1</sup>Includes \$2,584,210 representing the Groups' 45% interest in creditors and accruals pertaining to EP447 -Walyering. Refer to note 10 for further information on the Groups' interest in joint arrangements.

#### 12. DEFERRED CONSIDERATION

Deferred consideration pertains to the anticipated size of the 2C contingent resource associated with the Group's farm-in interest in the Gurvantes XXXV project. Under the terms of the farm-in agreement, Talon is to pay pro-rata deferred consideration up to \$USD 1,000,000 upon completion of a 2C contingent resource amounting to 1.5 Tcf. There will be no amount payable if the 2C contingent resource is below 0.5 Tcf. In this respect, there has been no changes to estimates applied from 31 December 2021.

	30 June 2022 \$	31 December 2021 \$
Opening balance	688,375	-
Additions	-	688,375
Fair value movements during the period <sup>1</sup>	37,599	-
<b>Total deferred consideration</b>	<b>725,974</b>	<b>688,375</b>

<sup>1</sup>At 30 June 2022 the farm-in to Gurvantes XXXV has yet to be completed, with further farm-in conditions and/or acquisitions costs required prior to legal entitlement. As the agreements give Talon the right to undertake exploration, fair value movements in deferred consideration have been capitalised in accordance with AASB 6 and the Group's accounting policies.

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements (continued)

#### 13. SHARE CAPITAL

	30 June 2022 No.	31 December 2021 No.	30 June 2022 \$	31 December 2021 \$
Ordinary shares on issue, fully paid <sup>3</sup>	8,713,039,525	6,787,189,525	65,480,747	51,889,202

#### Movements in ordinary share capital

Date	Details	Number of shares	Issue price	Value \$
1 Jan 2021	Opening balance	4,351,789,525		42,804,237
09 Feb 2021	Placement to professional and sophisticated investors - T1	1,000,000,000	0.004	4,000,000
31 Mar 2021	Placement to professional and sophisticated investors - T2	250,000,000	0.004	1,000,000
31 Mar 2021	Issued for option to acquire Condor	54,000,000	0.008	432,000
31 Mar 2021	Share based payments	15,000,000	0.008	120,000
9 Nov 2021	Conversion of \$0.010 Performance Rights (H)	3,000,000	0.010	30,000
Various	Conversion of \$0.04 options	1,087,150,000	0.004	4,390,600
Various	Conversion of Performance Rights (A&B)	26,250,000	0.002	46,725
	Less: Costs of issue			(934,360)
31 Dec 2021	Closing balance	6,787,189,525		51,889,202
1 Jan 2022	Opening balance	6,787,189,525		51,889,202
5 May 2022	Conversion of \$0.006 Options	20,000,000	0.006	120,000
5 May 2022	Placement to professional and sophisticated investors - T1 <sup>1</sup>	110,750,000	0.008	886,000
6 May 2022	Placement to professional and sophisticated investors - T2 <sup>1</sup>	1,227,500,000	0.008	9,820,000
16 May 2022	Placement to professional and sophisticated investors - T3 <sup>1</sup>	12,000,000	0.008	96,000
27 May 2022	Share Purchase plan <sup>2</sup>	315,500,000	0.008	2,524,000
Various	Conversion of \$0.010 Performance Rights	7,500,000	0.010	75,000
Various	Conversion of \$0.004 Options	232,600,000	0.004	930,400
	Less: Costs of issue	-		(859,855)
30 Jun 2022	Closing balance	8,713,039,525		65,480,747

<sup>1</sup>On 29 April 2022, the Company announced to the ASX that commitments had been received to raise \$11,000,000 at \$0.008 per share. The transaction was completed in four tranches, with T1-3 completed on the 5<sup>th</sup>, 6<sup>th</sup>, and 16<sup>th</sup> of May 2022 respectively. The balance pertaining to Director participation in the placement was approved via shareholder meeting on 18<sup>th</sup> July 2022 with shares issued to David Casey and Colby Hauser on the 16<sup>th</sup> and 17<sup>th</sup> of August 2022 respectively. Refer to note 18 for further information on subsequent events.

<sup>2</sup>On 25 May 2022, the Company announced to the ASX the completion of the share offer under the Company's Share Purchase Plan announced on 5 May 2022. The Company received a total \$2,524,000 in valid applications which were issued 27 May 2022.

<sup>3</sup>On 18 July 2022, subsequent to year end, the Company held a general meeting of shareholders and received approval to consolidate the Company's listed securities, on a ratio of 20:1, that is, each 20 securities on issue prior to the consolidation, were consolidated to one security post consolidation. The effective date for the conversion of securities under the shareholder approved Securities Consolidation was 19 July 2022. Refer to note 18 for further information on subsequent events.

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements (continued)

#### 14. RESERVES

	30 June 2022 \$	31 December 2021 \$
<b>a) Share based payments reserve</b>		
Opening Balance	3,367,810	522,279
Share option reserve movement during the year	578,279	2,845,531
Closing balance	<b>3,946,089</b>	<b>3,367,810</b>
<b>b) Foreign currency translation reserve</b>		
Opening Balance	2,641,487	2,640,653
Foreign currency movement during the year	146,589	834
Closing balance	<b>2,788,076</b>	<b>2,641,487</b>
<b>Total Reserves</b>	<b>6,734,165</b>	<b>6,009,297</b>

The Share-based payments reserve is made up of convertible securities, namely options and performance rights, granted to key management personnel at the discretion of the Board to align the interest of executives, employees, and consultants with those of shareholders. A summary of convertible securities as at 30 June 2022 are as follows:

#### Convertible Securities

##### Options

At 30 June 2022, unissued shares of the Group under options are:

No. Securities	Exercise Price	Expiry Date
259,000,000	\$0.006	28 Feb 2024
100,000,000	\$0.010	5 May 2025

##### Performance Rights

At 30 June 2022, unissued shares of the Group pursuant to performance rights issued to incentivize Directors, employees and consultants are:

Class	No. Securities	Grant Date	Vesting Date	Expiry Date	Vested and Exercisable at 30 Jun 22
A	25,625,000	29 May 2020	30 Jun 2021	30 Jun 2025	25,625,000
B	25,625,000	29 May 2020	30 Jun 2021	30 Jun 2027	25,625,000
F	80,000,000	8 Sep 2020	19 Jul 2022	30 Jun 2027	-
G	80,000,000	8 Sep 2020	19 Jul 2022	30 Jun 2027	-
J	4,500,000	26 Oct 2021	31 Dec 2021	31 Dec 2024	4,500,000
K	7,500,000	26 Oct 2021	31 Dec 2022	31 Dec 2025	-
M	3,500,000	26 Oct 2021	31 Mar 2023	31 Mar 2026	-
N	750,000	26 Oct 2021	30 Jun 2022	30 Jun 2025	750,000
O	750,000	26 Oct 2021	30 Jun 2023	30 Jun 2026	-
P	25,000,000	26 May 2022	8 Mar 2023	30 Jun 2027	-
Q	50,000,000	26 May 2022	30 Jun 2024	30 Jun 2028	-
R	50,000,000	26 May 2022	8 Sep 2023	30 Jun 2028	-
S	50,000,000	26 May 2022	8 Mar 2024	30 Jun 2028	-

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements (continued)

#### 15. SHARE BASED PAYMENTS

The terms and conditions of share-based payment arrangements granted over ordinary shares affecting remuneration of Directors and other key management personnel in this financial year or future reporting years are as follows:

##### Director Options

On 1 January 2022 Mr. David Casey transitioned from Managing director to Non-Executive Director. In doing so, it was mutually agreed between the Company and Mr. Casey that 167,678,954 performance rights would be forfeited and in return 40,000,000 options would be issued subject to shareholder approval. On 26 May 2022, the company held its annual general meeting and received shareholder approval to issue unlisted options to Mr. David Casey, pursuant to the company's Share Rights Plan (Incentive Plan) adopted on 29 May 2020. The options were issued subsequent to the reporting period end on 5 July 2022. Details of options granted to Directors as part of compensation during the half-year ended 30 June 2022 are set out below.

The valuation of options granted was derived using a Black-Scholes valuation model, with the following underlying inputs and assumptions:

Options	Total
Grant date	26-May-22
Vesting date	Immediately
Expiry date	26-May-24
Number of Securities	40,000,000
Security entitlement	One Share per option
Listed / Unlisted	Unlisted
Exercise price	\$0.010
Spot price	\$0.008
Expected volatility	125%
Risk free rate	2.42%
Dividend yield	Nil
Value of Option	\$0.005
<b>Total Value (\$)</b>	<b>188,725</b>
<b>Expensed during the half-year period ended 30 June 2022 (\$)</b>	<b>188,725</b>

##### Director Performance Rights

On 26 May 2022, the company held its annual general meeting and received shareholder approval to issue unlisted performance rights to Mr. Colby Hauser, pursuant to the company's Share Rights Plan (Incentive Plan) adopted on 29 May 2020. The performance rights were issued on 22 June 2022. Details of performance rights issued to Directors as part of compensation during the half-year ended 30 June 2022 are set out below allocated based on the following milestones (vesting conditions):

- **Class P** - Continued employment for a period of 12 months commencing on 8 March 2022 (commencement date)
- **Class Q** - Talon shares achieving a 20-day VWAP exceeding 175% of 20-day VWAP of Talon shares at the commencement date, after the shareholder meeting approving the grant of the Performance Rights and prior to 30 June 2024 (Class Q Vesting condition); AND
  - Continued employment 2 years from the commencement date (Class Q Employment condition); OR
  - Satisfaction of the Class Q vesting condition, but notwithstanding the non-satisfaction of the Class Q Employment condition or the terms of the Share Rights Plan, all the Class Q Performance Rights held by the Executive immediately vest on the occurrence of a Change of Control event.
- **Class R** - The achievement of Final Investment Decision for the Walyering Gas Project prior to 30 June 2024 (Class R Vesting Condition); AND
  - Continued employment 18 months from Commencement Date (Class R Employment Condition); OR
  - Satisfaction of the Class R vesting condition, but notwithstanding the non-satisfaction of the Class R Employment condition or the terms of the Share Rights Plan, all the Class R Performance Rights held by the Executive immediately vest on the occurrence of a Change of Control event.



# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements (continued)

- **Class S** - The achievement of Commercial Production from the Walyering Gas Project prior to 31 December 2024 (Class S Vesting condition); AND
- Continued employment 2 years from Commencement date (Class S Employment Condition); OR
- Satisfaction of the Class S vesting condition, but notwithstanding the non-satisfaction of the Class S Employment condition or the terms of the Share Rights Plan, all the Class S Performance Rights held by the Executive immediately vest on the occurrence of a Change of Control event.

Director	Class of Performance Rights				Total
	P	Q	R	S	
Colby Hauser	25,000,000	50,000,000	50,000,000	50,000,000	175,000,000
Total	25,000,000	50,000,000	50,000,000	50,000,000	175,000,000

The valuation of performance rights was derived using the following underlying inputs and assumptions:

Assumptions	Class of Performance Rights				Total
	P <sup>1</sup>	Q <sup>2</sup>	R <sup>1</sup>	S <sup>1</sup>	
Grant Date <sup>3</sup>	26-May-22	26-May-22	26-May-22	26-May-22	
Vesting Date	8-Mar-23	30-Jun-24	8-Sep-23	8-Mar-24	
Expiry Date	30-Jun-27	30-Jun-28	30-Jun-28	30-Jun-28	
Number of Securities	25,000,000	50,000,000	50,000,000	50,000,000	175,000,000
Security entitlement	One Share	One Share	One Share	One Share	
Listed / Unlisted	Unlisted	Unlisted	Unlisted	Unlisted	
Exercise price	\$Nil	\$Nil	\$Nil	\$Nil	
Share Price Targets (20-day-VWAP)	N/A	0.0136	N/A	N/A	
Implied Barrier Price (approx.)	N/A	0.0209	N/A	N/A	
Expected volatility	N/A	125.0%	N/A	N/A	
Risk free rate	N/A	2.42%	N/A	N/A	
Dividend yield	N/A	Nil	N/A	N/A	
Value of each Security (\$)	0.0080	0.0068	0.0080	0.0080	
Probability	100%	100%	100%	100%	
<b>Total Value (\$)</b>	<b>200,000</b>	<b>340,000</b>	<b>400,000</b>	<b>400,000</b>	<b>1,340,000</b>
<b>Expensed during the half-year period ended 30 June 2022 <sup>4</sup> (\$)</b>	<b>62,842</b>	<b>46,217</b>	<b>83,636</b>	<b>62,842</b>	<b>255,537</b>

<sup>1</sup> The value of each right has been calculated using the share price as at the grant date, with the value calculated based on the number of instruments expected to vest.

<sup>2</sup> The value of each right has been calculated using a combination of Hoadley's Barrier1 Model and Hoadley's Parisian model ('Parisian Barrier1 Model').

<sup>3</sup> Performance rights have been valued at the grant date, being the date that shareholder approval was received to issue securities to directors.

<sup>4</sup> The expense recognised during the period is from the date the securities were offered to Mr. Hauser (8 March 2022).

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements (continued)

#### Director Performance Rights granted in prior periods

On 31 December 2021, with the transition from Managing Director to Non-executive Director, Mr. David Casey and the Company mutually agreed to the cancellation of 167,678,954 Performance Rights as follows:

Assumptions	Class of Performance Rights			
	E	F	G	Total
No. Rights held prior to cancellation	163,839,476	81,919,739	81,919,739	327,678,954
Cancelled Performance Rights	(163,839,476)	(1,919,739)	(1,919,739)	(167,678,954)
No. Rights Held 1 Jan 2022	-	80,000,000	80,000,000	160,000,000
Movements to 30 June 2022	-	-	-	-
No. Rights Held 30 June 2022	-	80,000,000	80,000,000	160,000,000
Expensed during the half-year period ended 30 June 2022 (\$)	-	54,982	52,946	107,928

#### 2021/2022 Employee offer - Incentive Plan

On 26 October 2021, 28,500,000 unlisted performance rights were granted to employees and contractors of the company under the 2021/2022 Incentive securities plan. These rights have performance milestones attached under the following vesting conditions:

- **Class H** - Performance Rights will Vest immediately on Grant
- **Class J** - Engaged as a consultant/contractor of the Company as at 31 December 2021
- **Class K** - Engaged as a consultant/contractor of the Company as at 31 December 2022
- **Class L** - Engaged as a consultant/contractor of the Company as at 31 March 2022
- **Class M** - Engaged as a consultant/contractor of the Company as at 31 March 2023
- **Class N** - Engaged as a consultant/contractor of the Company as at 30 June 2022
- **Class O** - Engaged as a consultant/contractor of the Company as at 30 June 2023

The valuation of performance rights was derived using a Black-Scholes valuation model, with the following underlying inputs and assumptions:

Assumptions	Class of Performance Rights							
	H	J	K	L	M	N	O	Total
Grant date	26-Oct-21	26-Oct-21	26-Oct-21	26-Oct-21	26-Oct-21	26-Oct-21	26-Oct-21	
Vesting date	26-Oct-21	31-Dec-21	31-Dec-22	31-Mar-22	31-Mar-23	30-Jun-22	30-Jun-23	
Expiry date	31-Oct-21	31-Dec-24	31-Dec-25	31-Mar-25	31-Mar-26	30-Jun-25	30-Jun-26	
Number of Securities	3,000,000	7,500,000	7,500,000	4,500,000	4,500,000	750,000	750,000	28,500,000
Security entitlement	One Share	One Share	One Share	One Share	One Share	One Share	One Share	
Listed / Unlisted	Unlisted	Unlisted	Unlisted	Unlisted	Unlisted	Unlisted	Unlisted	
Exercise price	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	\$Nil	
Expected volatility	100%	100%	100%	100%	100%	100%	100%	
Risk free rate	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Dividend yield	Nil	Nil	Nil	Nil	Nil	Nil	Nil	
Value of each Security	\$0.010	\$0.010	\$0.010	\$0.010	\$0.010	\$0.010	\$0.010	
Total Value (\$)	30,000	75,000	75,000	45,000	45,000	7,500	7,500	285,000
Expensed during the half-year period ended 30 June 2022 (\$)	-	-	46,478	25,962	20,928	5,496	2,225	101,089

Reconciliation of Share-based payments expensed during the half-year period ended 30 June 2022		\$
Director Options		188,725
Director Performance Rights		255,537
Director Performance Rights granted in prior periods		107,928
2021/2022 Employee offer - Incentive Plan		101,089
Expense recognised during the half-year period ended 30 June 22		653,279

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2022

### Notes to the Interim Consolidated Financial Statements (continued)

#### 16. COMMITMENTS AND CONTINGENCIES

There have been no significant changes to commitments and contingent liabilities since 31 December 2021, with the exception to the following:

*Exploration Expenditure commitments related to titled tenements as at 30 June 2022 are as follows:*

Title	< 12 Months	1-5 Years	5+ Years	Beneficial Interest
	\$	\$	\$	%
EP447 - Walyering <sup>1</sup>	100,000	10,400,000	100,000	45%

<sup>1</sup>Talon has a 45% interest in EP447 - Walyering with Strike Energy Limited (ASX: STX). Refer to note 10 for further information on joint arrangements.

#### 17. RELATED PARTIES

There have been no significant changes to related party transactions since 31 December 2021, with the exception to the following:

- Director Performance Rights - 175,000,000 performance rights were granted to Colby Hauser, after shareholder approval was sought and received at the Group's annual general meeting on 26 May 2022. The performance rights were issued 22 June 2022.
- Director Options - 40,000,000 unlisted options were granted to David Casey, after shareholder approval was sought and received at the Group's annual general meeting on 26 May 2022. The unlisted options were issued subsequent to the reporting period end on July 7 2022. Refer to note 18 for further information on subsequent events.

#### 18. SUBSEQUENT EVENTS

On 1 July 2022, Mr Matt Worner, a Director of the Company transition from his role as an Executive Director a Non-executive Director role.

On 6 July 2022, the company issued a letter of intent to Macallum Group Ltd to exercise its' option to acquire a 100% interest in the Condor Project, being EP393 and SPA-0081 (Mucnea Blocks) for an additional consideration of \$350,000 worth of Talon Shares and an overriding royalty of 1.95% on all hydrocarbon product sales. Both parties are currently working towards the satisfaction of the outstanding conditions precedent required to facilitate the transfer.

On 18 July 2022, the Company held a general meeting of shareholders and received approval for the following:

- Share consolidation of the Company's issued securities, on a ratio of 20:1, that is, each 20 securities on issue prior to the consolidation, were consolidated to one security post consolidation. The effective date for the conversion of securities under the shareholder approved Securities Consolidation was 19 July 2022.
- Issue of shares to related parties in relation to the private placement completed in May 2022. 1,237,500 ordinary shares were issued (on a post-consolidation basis) to Directors: David Casey (300,000) and Colby Hauser (937,500) on the 16<sup>th</sup> and 17<sup>th</sup> of August 2022 respectively.

On 21 July 2022, the Company announced, along with Joint venture partner Strike Energy Ltd (ASX: STX) the independent certification of its Maiden Gas/Condensate reserves for the Walyering Gas field located on Exploration permit EP447, in the onshore Perth Basin, Western Australia. Subsequently, on 15 August 2022, the Company announced its Final Investment Decision to proceed with the commercial development of the project.

On 29 July 2022, the Company announced its Limited First Right of Refusal on EP495 (Ocean Hill). As previously reported, under the terms of the Farm-in agreement between the Company and Strike Energy, with respect to EP447 (Walyering), Talon was granted a first right of refusal should Strike wish to seek farm-in partners for its EP495 petroleum permit (containing the Ocean Hill conventional Jurassic gas discovery). During the reporting period, the parties ceased discussions surrounding Talon's farm in opportunity as the parties were unable to agree on commercial terms. As a result, Strike continues to retain its interest in EP495, and Talon retains a Limited First Right of Refusal should Strike seek to conclude a farm-in transaction with a third party on terms more favourable than those recently discussed with Talon.

The Directors are not aware of any other matters or circumstances not otherwise dealt with in this interim report that have significantly, or may significantly affect the operations, results or state of affairs of the Group.

**TALON ENERGY LTD**  
**Consolidated Interim Financial Report 30 June 2022**

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**Directors' Declaration**

The Directors of the Company declare that:

1. the Interim Consolidated Financial Statements and Notes, are in accordance with the *Corporations Act 2001* and:
  - a) comply with Australian Accounting Standard AASB134 Interim financial reporting and the Corporations Regulations 2001; and
  - b) give a true and fair view of the Consolidated entity's financial position as at 30 June 2022 and its performance for the half-year ended on that date; and
2. in the Directors' opinion there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors, pursuant to s303(5) of the Corporations Act.



Douglas Jendry  
Non-Executive Chairman  
Dated 12 September 2022

## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Talon Energy Ltd

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Talon Energy Ltd (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2022, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the half-year ended on that date, a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the accompanying half-year financial report of the Group does not comply with the *Corporations Act 2001* including:

- (i) Giving a true and fair view of the Group's financial position as at 30 June 2022 and of its financial performance for the half-year ended on that date; and
- (ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

#### Basis for conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report. We are independent of the Company in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to the audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

We confirm that the independence declaration required by the *Corporations Act 2001* which has been given to the directors of the Company, would be the same terms if given to the directors as at the time of this auditor's review report.

#### Material uncertainty relating to going concern

We draw attention to Note 4 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.



#### Responsibility of the directors for the financial report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

#### Auditor's responsibility for the review of the financial report

Our responsibility is to express a conclusion on the half-year financial report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including giving a true and fair view of the Group's financial position as at 30 June 2022 and its performance for the half-year ended on that date, and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

BDO Audit (WA) Pty Ltd

The image shows a handwritten signature in black ink. The signature appears to be 'Dean Just' written in a cursive, stylized script.

Dean Just

Director

Perth

12 September 2022

## TALON ENERGY LTD

### Consolidated Interim Financial Report 30 June 2022

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#### Glossary

AASB	Australian Accounting Standards Board or, if the context requires, an Australian Accounting Standard adopted by it
AGM	Annual General Meeting
ASX	ASX Limited (ACN 008 624 691) or, if the context requires, the securities market operated by it
boe	barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 barrel of oil equivalent)
Company or Talon	Talon Energy Ltd (ABN 88 153 229 086)
Corporations Act	<i>Corporations Act 2001</i> (Cth)
Director	Director of the Company
Group	Talon and its subsidiaries
m	meters
mbbl	thousand barrels
mboe	thousand barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 boe)
mmbo	million barrels of oil
mmcf	million cubic feet
Tcf	Trillion cubic feet
Share	fully paid ordinary share in the capital of the Company
VWAP	Volume weighted average price
WI	working interest, a cost bearing interest of an oil and gas project