



# ASX ANNOUNCEMENT

8 SEPTEMBER 2023

## Half-Year Financial Accounts

Talon Energy Limited (ASX: TPD) (**Talon** or **Company**) is pleased to provide its Half-Year Financial Accounts for the half-year ended 30 June 2023.

**This Announcement has been authorised for release by the Board.**

For further information, please contact:

**Talon Energy Limited**  
Colby Hauser  
Managing Director and CEO  
+61 8 6319 1900  
info@talonenergy.com.au

**Talon Energy Limited**  
Shannon Coates  
Company Secretary  
+61 8 6319 1900  
info@talonenergy.com.au

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

**INTERIM FINANCIAL REPORT**

**30 JUNE 2023**

**TALON ENERGY LTD**  
**Consolidated Interim Financial Report 30 June 2023**

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**TALON ENERGY LTD**  
**Consolidated Interim Financial Report 30 June 2023**

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**Corporate Directory**

**Directors**

**Greg Columbus**  
Non-Executive Chairman

**Colby Hauser**  
Managing Director and CEO

**David Casey**  
Non-Executive Director

**Matt Worner**  
Non-Executive Director

**Company Secretary (Joint)**

**Shannon Coates**  
**Joan Dabon**

**Registered Office and Principal  
Place of Business**

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

**Auditors**

BDO Audit (WA) Pty Ltd  
Level 9, Mia Yellagonga Tower 2  
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: 1300 850 505  
International Telephone: +61 8 6188 0800  
[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)

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# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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### Directors' Report

The Directors present their report, together with the financial statements, on the consolidated entity (**consolidated entity or Group**) consisting of Talon Energy Ltd (**Company or Talon**) and the entities it controlled at the end of, or during, the half-year ended 30 June 2023.

#### 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:

Greg Columbus	Non-Executive Chairman (appointed 3 April 2023)
Douglas Jendry	Non-Executive Chairman (resigned 30 May 2023)
Colby Hauser	Managing Director & CEO (appointed 8 March 2022)
David Casey	Non-Executive Director (appointed 1 January 2022)
Matt Worner	Non-Executive Director (appointed 1 July 2022)
Shannon Coates	Company Secretary (Joint - appointed 3 July 2023)
Joan Dabon	Company Secretary (Joint - appointed 3 July 2023)
Jo-Ann Long	Company Secretary (appointed 23 February 2023; resigned 3 July 2023)
David Lim	Company Secretary (Joint - resigned 28 February 2023)
Lauren Nelson	Company Secretary (Joint - resigned 28 February 2023)

#### 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 from continuing operations of \$2,953,949 (Jun 2022: \$9,335,431), with a net cash position at 30 June 2023 of \$9,153,974 (Dec 2022: \$11,996,947) and net operating cash outflows of \$2,050,382 (Jun 2022: \$6,415,808).

#### Dividends Paid or Recommended

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

#### Operational Review

##### PERTH BASIN, WESTERN AUSTRALIA

##### Walyering Joint Venture (JV) - L23 and EP447

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

#### Grant of Production Licence

In January 2023, the WA Department of Mines, Industry Regulation and Safety (**DMIRS**) granted production licence L23 over the Walyering gas field. The grant of the production licence was a significant milestone in the development process and gives the JV the exclusive right to carry out gas production operations within the licence area.

#### Condensate Agreements

During the period, the JV executed agreements to deliver, process and sell condensate produced from the Walyering field to the Santos operated processing and storage facility in Port Bonython, South Australia.

The JV anticipates that Walyering condensate will realise premium pricing to the Brent market price due to its high quality. Including haulage and processing related costs, the Operator estimates break-even pricing to be US\$45-50 per barrel, with Brent prices currently around US\$90 per barrel.

The condensate is a by-product relative to the gas, but with Walyering condensate production rates of 250bbl/d, the condensate provides the JV a considerable secondary revenue and profit stream.

**Development Activities**

During the period, the JV received all key Governmental approvals including the Production Licence, Part V works approvals, Pipeline Licence, Environmental Plan, and the Safety Case which cover on-site construction works, as well as the commissioning and ongoing production operations.



Procurement and construction activities related to the upstream processing facility and sales gas pipeline connection progressed during the period, with most of the off-site components of construction completed. The Operator continued on-site construction works, as well as preparing for commissioning and production operations.

Additionally, Walyering’s renewable energy power system, comprising of solar and batteries, has also been constructed. In Perth, the Walyering gasfield control centre has been established and will remotely monitor the field operations on a day-to-day basis. Downhole pressure gauges have been installed in Walyering wells 5 & 6 to monitor reservoir pressures over the initial months of production to assist the JV in assessing the resource potential and productivity of the Walyering gasfield.

Although progress on the construction has been steady, near the end of the reporting period, Strike, informed both Talon and the market that the targeted commissioning date had moved into the third quarter of CY2023, due to issues with unexpected delays, inclement weather and extended timelines for the receipt and delivery of key materials and services.

As at the date of this report, Strike maintains their first gas forecast for the third quarter of CY2023.

**L7 and EP437**

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

**Farm-in for 25% Participating Interest**

On 1 March 2023, Talon and Triangle formally completed the farm-in to onshore Perth Basin Production Licence L7 and Exploration Permit EP437. Also in March 2023, New Zealand Oil and Gas completed their farm-in to the permits for 25% equity, on similar terms to those obtained by Talon. The farm-in forms a key component of Talon’s strategy to build a portfolio of highly prospective acreage in the Perth Basin in close proximity to existing gas transmission infrastructure that can be easily monetised, as demonstrated by the Walyering discovery.

As consideration for its 25% interest in each permit, Talon agreed to pay Triangle ~\$1.9 million towards past expenditure on the recently acquired Bookara 3D seismic data, with \$1 million paid on 1 March, and the balance of ~\$0.9 million to be paid prior to 31 December 2023 (Upfront Costs). In addition to the Upfront Costs, Talon will fund a promoted share of the costs for 3 exploration wells, with forecast expenditure of ~\$7.3 million, net to Talon, paid as costs are incurred.

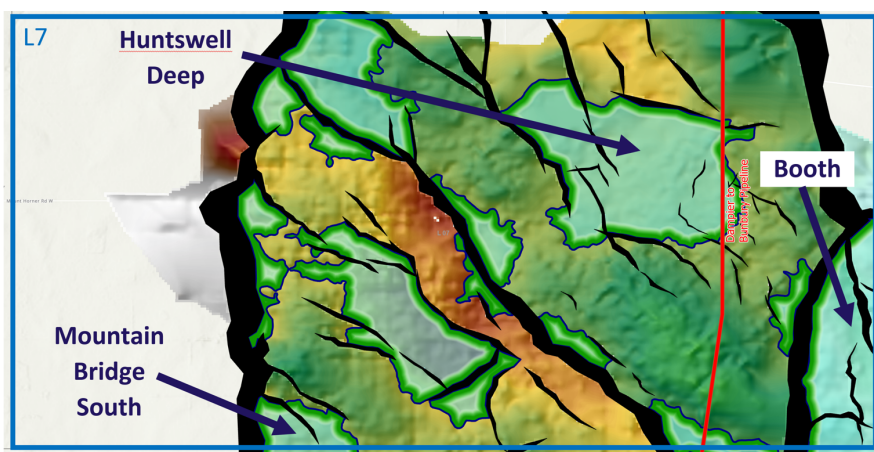
The three wells are planned to be drilled in 2024, subject to rig availability.

**Exploration Activity**

Following the farm-in, the focus on the northern Perth Basin permits has been on finalising the geological assessment of the Booth, Mountain Bridge South, Huntswell Deep and Becos prospects.

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

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

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

The estimated quantities of petroleum that may potentially be recovered by the application of a future development project relate to undiscovered accumulations. These estimates have both an associated risk of

discovery and a risk to development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The estimates shown in this document are unrisks, however Talon notes that the prospects are considered moderate risk

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

Prospect (Bcf)	Gross Unrisks Prospective Resources (100%)			Net Unrisks Prospective Resources (25%)		
	Low (P90)	Best (P50)	High (P10)	Low (P90)	Best (P50)	High (P10)
Booth	113	279	540	28.3	69.8	135
Huntswell Deep	30	61	115	7.5	15.3	28.8
Mountain Bridge South	24	53	98	6.0	13.3	24.5
<b>Total</b>	<b>167</b>	<b>393</b>	<b>753</b>	<b>41.8</b>	<b>98.4</b>	<b>188.3</b>

Notes:

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

Condor

*Blocks 7977, 8049 and 8121 (within EP494), SPA 34 AO (EP511)  
Option for Talon to acquire 100%*

Activities

Talon continues to work with Macallum Group Ltd (Macallum) to transfer the Condor tenure to Talon. The Condor project consists of two adjacent permits, SPA 34 AO (now awarded as EP511) and three blocks (7977, 8049 & 8121) from EP494. The application submitted to excise the three blocks from EP494 (Excise Application) is with the Department of Mines, Industry Regulation and Safety (DMIRS), awaiting assessment.

During the period, Macallum was provided with an indicative offer for excising the three Blocks from EP494 by DMIRS, however negotiations by Macallum on permit tenure and the conditions of grant ultimately led to the resubmission of the application by Macallum to DMIRS. As such, the transfer of the Condor tenure to Talon remains contingent on satisfaction of outstanding conditions. Talon and Macallum are continuing to work towards effecting the transfer during the coming quarter.

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# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

### SOUTH GOBI BASIN, MONGOLIA

#### Gurvantes XXXV Joint Venture (JV)

#### *Gurvantes XXXV Coal Seam Gas Project*

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

### Pilot Well Program and Exploration Program

During the period, the Gurvantes XXXV JV completed the Pilot Well Program, consisting of three wells - Lucky Fox-1, -2 and -3. The first well was spudded on 13 April 2023 and the third well was completed on 30 May 2023 for a total drilling and completion duration of 47 days to drill 1,297m and run production casing for the three wells. The three well program was completed on time, on budget, and incident-free and is credit to the organisation and planning of TMK.

The 2023 Pilot Well Program at Gurvantes XXXV is testing the area where the JV recently drilled Snow Leopard-2 to prove the production potential of the area. With the drilling and completion of the three pilot production wells, the next step in demonstrating the commerciality of the project is to commence drawdown and dewatering of the coal seams.

Subsequent to period end, installation and commissioning of the downhole pumps was completed in July 2023. Talon announced on 9 August 2023 that a permanent gas flow has been achieved at the Lucky Fox-1, -2 and -3 wells, with the gas flow sufficient to support continuous flares from each of the wells.

The continuous gas flaring demonstrates the ability to flow gas from the coal seams targeted in the Pilot Well Program and is an encouraging early sign for the commerciality of the project.

In addition to the Pilot Well Program, the JV is also planning to undertake an exploration program to further expand the current Resource estimate.

During the period, Talon satisfied its Stage 2 funding obligation under the Gurvantes XXXV Farmout Agreement, having funded the first US\$3.15 million of expenditure for the Pilot Well Program. Going forward, Talon and TMK will be funding their proportionate share of further costs (Talon 33%, TMK 67%).

### Mongolia Demerger

In parallel with the Scheme Implementation Deed entered into with Strike on 14 August 2023 (see subsequent events below), over the coming months Talon will explore options to spin-out its 33% interest in the Gurvantes XXXV project in order for Talon shareholders to retain an ownership interest in the Mongolian assets.



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# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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### Corporate

On 3 March 2023, Talon announced that it had successfully completed a ~\$12 million Placement (before associated costs) and on 6 April 2023, the Share Purchase Plan was completed, oversubscribed and well supported, raising an additional \$2.3 million.

During the half-year, changes in leadership occurred with the appointment of Mr. Greg Columbus as Independent Non-Executive Chairman on 3 April 2023, followed by the resignation of Mr. Douglas Jendry on 30 May 2023.

### Subsequent Events

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

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

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

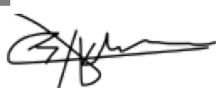
On 14 August 2023, Talon announced to the ASX that it entered a binding Scheme Implementation Deed with Strike pursuant to which Strike will acquire all the issued shares in Talon by way of a scheme of arrangement (**Scheme**). In parallel with the Scheme, Talon will explore options to spin-out its 33% interest in the Mongolian assets to Talon shareholders. As part of the transaction, Strike and Talon entered into a binding facility agreement pursuant to which Strike has agreed to provide a A\$6 million convertible financing facility to assist Talon fund its short-term working capital needs through the Scheme process.

No other matters or circumstances have arisen after reporting date which significantly affected or may significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial periods.

### 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 2023.

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



Colby Hauser  
Managing Director and CEO  
Dated 8 September 2023

## DECLARATION OF INDEPENDENCE BY JARRAD PRUE TO THE DIRECTORS OF TALON ENERGY LIMITED

As lead auditor for the review of Talon Energy Limited for the half-year ended 30 June 2023, 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 Limited and the entities it controlled during the period.



**Jarrad Prue**  
**Director**

**BDO Audit (WA) Pty Ltd**  
Perth  
8 September 2023

**TALON ENERGY LTD**  
**Consolidated Interim Financial Report 30 June 2023**

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

For the half-year ended 30 June 2023

	Note	30-June-23 \$	30-June-22 \$
Other income		163,193	4,444
Employee benefit expenses		(461,546)	(116,313)
Professional and consultancy fees		(682,922)	(132,277)
Marketing and travel expenses		(86,920)	(64,087)
Corporate and administrative expenses		(272,075)	(200,162)
Directors' fees		(107,667)	(231,975)
Share based payment expense	17	(725,964)	(653,279)
Exploration expenditure expensed as incurred	6	(756,885)	(7,957,354)
Depreciation		-	(13)
Finance Costs		(23,163)	-
Foreign exchange gain / (loss)		-	15,585
<b>Loss from continuing operations before income tax</b>		<b>(2,953,949)</b>	<b>(9,335,431)</b>
Income tax benefit		-	-
<b>Loss from continuing operations after income tax</b>		<b>(2,953,949)</b>	<b>(9,335,431)</b>
<b>Discontinued Operations</b>			
Profit/(Loss) after income tax from discontinued operations	19	2,658,177	(17,357)
<b>Loss for the period</b>		<b>(295,772)</b>	<b>(9,352,788)</b>
<b>Other comprehensive income/(loss)</b>			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of discontinued operation	19	(2,658,177)	-
Foreign exchange translation differences, net of tax		33,478	146,589
<b>Other comprehensive income/(loss) (net of tax) for the period</b>		<b>(2,624,699)</b>	<b>146,589</b>
<b>Total comprehensive (loss) attributable to owners of the Company</b>		<b>(2,920,471)</b>	<b>(9,206,199)</b>
		<b>Cents</b>	<b>Cents</b>
Basic and diluted loss per share from continuing operations		(0.50)	(2.51)
Basic and diluted earnings per share		(0.05)	(2.51)

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

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**TALON ENERGY LTD**  
**Consolidated Interim Financial Report 30 June 2023**

**Consolidated Statement of Financial Position**

As at 30 June 2023

	<i>Notes</i>	30 June 2023 \$	31 December 2022 \$
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	7	9,153,974	11,996,947
Trade and other receivables	8	328,927	317,635
Prepayments	8	53,830	736,010
Security deposit	8	5,740	5,740
<b>Total Current Assets</b>		<b>9,542,471</b>	<b>13,056,332</b>
<b>Non-Current Assets</b>			
Exploration and evaluation assets	9	11,703,973	5,796,986
Oil & gas properties	10	23,047,813	10,984,402
Property, plant & equipment		202,389	43,447
<b>Total Non-Current Assets</b>		<b>34,954,175</b>	<b>16,824,835</b>
<b>Total Assets</b>		<b>44,496,646</b>	<b>29,881,167</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Trade and other payables	12	2,319,547	1,927,020
Provisions	13	12,885	7,276
Deferred consideration	14	915,041	-
<b>Total Current Liabilities</b>		<b>3,247,473</b>	<b>1,934,296</b>
<b>Non-Current Liabilities</b>			
Provisions	13	2,738,848	973,050
<b>Total Non-Current Liabilities</b>		<b>2,738,848</b>	<b>973,050</b>
<b>Total Liabilities</b>		<b>5,986,321</b>	<b>2,907,346</b>
<b>Net Assets</b>		<b>38,510,325</b>	<b>26,973,821</b>
<b>Contributed Equity</b>			
Issued share capital	15	91,353,741	77,360,647
Reserves	16	4,705,345	6,866,163
Accumulated losses		(57,548,761)	(57,252,989)
<b>Total Equity</b>		<b>38,510,325</b>	<b>26,973,821</b>

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

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

### Consolidated Statement of Changes in Equity

For the half-year ended 30 June 2023

	\$	Share Based Payment Reserve \$	Foreign Currency Translation Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 January 2023</b>	<b>77,360,647</b>	<b>4,050,477</b>	<b>2,815,686</b>	<b>(57,252,989)</b>	<b>26,973,821</b>
Profit/(Loss) after income tax expense for the period <sup>1</sup>	-	-	(2,658,177)	(295,772)	(2,953,949)
Foreign exchange translation differences	-	-	33,478	-	33,478
<b>Total comprehensive loss for the period</b>	<b>-</b>	<b>-</b>	<b>(2,624,699)</b>	<b>(295,772)</b>	<b>(2,920,471)</b>
Issue of shares, net of transaction costs	13,641,011	-	-	-	13,641,011
Transfer from conversion of performance rights	262,083	(262,083)	-	-	-
Exercise of options	90,000	-	-	-	90,000
Share based payments	-	725,964	-	-	725,964
<b>Balance at 30 June 2023</b>	<b>91,353,741</b>	<b>4,514,358</b>	<b>190,987</b>	<b>(57,548,761)</b>	<b>38,510,325</b>
<b>Balance at 1 January 2022</b>	<b>51,889,202</b>	<b>3,367,810</b>	<b>2,641,487</b>	<b>(44,309,775)</b>	<b>13,588,724</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>	<b>-</b>	<b>-</b>	<b>146,589</b>	<b>(9,352,788)</b>	<b>(9,206,199)</b>
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>

<sup>1</sup> An amount of A\$2,658,177 previously recognised in the Foreign Currency Translation Reserve has been recognised in the Consolidated Statement of Profit and Loss upon deregistration of the US subsidiary entities during the period ending 30 June 2023. Please refer to Note 19 for further details.

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 2023**

**Consolidated Statement of Cash Flows**

For the half-year ended 30 June 2023

	30-June-23	30-June-22 \$
<i>Cash flows from operating activities</i>		
Cash receipts from customers	-	3,496
Payments to suppliers and employees	(1,507,312)	(827,059)
Payments for exploration and evaluation expenditure	(705,686)	(5,594,529)
Interest received	162,616	2,284
<b>Net cash (used in) operating activities</b>	<b>(2,050,382)</b>	<b>(6,415,808)</b>
<i>Cash flows from investing activities</i>		
Payments for asset in development	(8,874,168)	-
Payments for exploration expenditure (acquisition)	(5,454,454)	(2,860,998)
Payments for property, plant, and equipment	-	(814)
<b>Net cash (used in) investing activities</b>	<b>(14,328,622)</b>	<b>(2,861,812)</b>
<i>Cash flows from financing activities</i>		
Proceeds from the issuance of shares	14,315,425	13,326,000
Proceeds from the exercise of options	90,000	1,050,400
Share issue costs	(807,177)	(912,761)
<b>Net cash provided by financing activities</b>	<b>13,598,248</b>	<b>13,463,639</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>(2,780,756)</b>	<b>4,186,019</b>
Cash and cash equivalents at beginning of period	11,996,947	6,717,283
Foreign exchange movement of cash	(62,217)	15,585
<b>Cash and cash equivalents at end of period</b>	<b>9,153,974</b>	<b>10,918,887</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 2023

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

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#### 1. CORPORATE INFORMATION

The Interim Consolidated Financial Statements cover Talon Energy Ltd (**Talon or 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 8 September 2023.

#### 2. SIGNIFICANT ACCOUNTING POLICIES

These general-purpose financial statements for the interim half-year reporting period ended 30 June 2023 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 2022 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 2022.

#### 4. GOING CONCERN

The Group incurred a loss from continuing operations of \$2,953,949 (30 June 2022: \$9,335,431) for the period ended 30 June 2023 and had cash and cash equivalents of \$9,153,974 (31 December 2022: \$11,966,947) as at that date, with net cash outflows from operations of \$2,050,382 (30 June 2022: \$6,415,808) for the period.

The ability of the Group to continue as a going concern is dependent on the Walyering Project's production and cash flow performance to fund its operational, exploration and Scheme Implementation Deed related costs; or securing additional funds from a debt issuance or capital raising.

These conditions indicate a material uncertainty that may cast a 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 Directors believe there are sufficient funds to meet the Group's working capital requirements as at the date of this report.

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:

- On 14 August 2023, Talon entered a binding Scheme Implementation Deed with Strike Energy Limited (**Strike**), under which Strike will acquire all the issued shares in Talon by way of a scheme of arrangement (**Scheme**). As part of the transaction, Strike and Talon entered into a binding facility agreement pursuant to which Strike has agreed to provide a \$6 million convertible financing facility to assist Talon fund its short-term working capital needs through the Scheme period. In the event the Scheme is not successfully implemented and the scheme implementation deed is terminated, Talon will be required to repay any amounts outstanding within 60 days, unless Strike exercises its rights to convert any

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# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

outstanding loan amounts under the secured convertible facility into Talon shares. This may require Talon to refinance the debt or undertake a capital raising to repay any amounts owing and fund the Company.

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.

## 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 2023</b>	\$	\$	\$
Other Income	-	12,778	12,778
Expenditure	(260,268)	(510,701)	(770,969)
Loss before income tax expense	(260,268)	(497,923)	(758,191)
<i>Unallocated Other Income</i>			150,415
<i>Unallocated expenditure</i>			(2,346,173)
Income tax expense			-
Loss from continuing operations after income tax expense			(2,953,949)
<b>Assets</b>			
Segment Assets	25,803,552	9,346,023	35,149,575
Segment Cash and cash equivalents	1,243,529	309,444	1,552,973
<i>Unallocated assets</i>			
Cash and cash equivalents			7,601,001
Trade and other receivables			193,097
Total Assets			44,496,646
<b>Liabilities</b>			
Segment Liabilities	(5,679,283)	(71,064)	(5,750,347)
<i>Unallocated liabilities</i>			
Trade and other payables			(235,974)
Total Liabilities			(5,986,321)

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

	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 revenue</i>			-
<i>Unallocated expenditure</i>			(1,421,771)
Income tax expense			-
Loss after income tax expense			(9,352,788)

### Consolidated - 31 December 2022

#### Assets

Segment Assets	12,356,540	5,167,264	17,523,804
Segment Cash and cash equivalents	-	158,374	158,374
<i>Unallocated assets</i>			
Cash and cash equivalents			11,838,573
Trade and other receivables			360,416
<b>Total Assets</b>			<b>29,881,167</b>

#### Liabilities

Segment Liabilities	2,084,035	448,526	2,532,561
<i>Unallocated liabilities</i>			
Trade and other payables			374,785
<b>Total Liabilities</b>			<b>2,907,346</b>

## 6. EXPLORATION EXPENDITURE

	30 June 2023 \$	30 June 2022 \$
L23/EP447 - Walyering - Perth Basin	30,475	7,878,369
Gurvantes XXXV - Mongolia	510,180	-
L7 - Perth Basin	132,895	-
EP437 - Perth Basin	64,077	-
EP494 /Muccha SPA-0081 - Condor - Perth Basin	-	47,669
Other exploration expenditure	19,258	31,316
<b>Total exploration expenditure</b>	<b>756,885</b>	<b>7,957,354</b>

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# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

#### 7. CASH AND CASH EQUIVALENTS

	30 June 2023 \$	31 December 2022 \$
Cash at bank	9,113,606	11,986,600
Cash on deposit	40,368	10,347
<b>Total cash and cash equivalents</b>	<b>9,153,974</b>	<b>11,996,947</b>

#### 8. TRADE AND OTHER RECEIVABLES

	30 June 2023 \$	31 December 2022 \$
Other receivables <sup>1</sup>	328,927	317,635
Prepayments	53,830	736,010
Security deposit	5,740	5,740
<b>Total trade and other receivables</b>	<b>388,497</b>	<b>1,059,385</b>

<sup>1</sup>Includes \$189,363 (Dec 22: \$59,299) representing the Groups' 45% interest in GST receivable pertaining to L23/EP447 - Walyering. Refer to note 11 for further information on the Groups' interest in joint arrangements.

#### 9. EXPLORATION AND EVALUATION ASSETS

	30 June 2023 \$	31 December 2022 \$
<i>Gurvantes XXXV</i>		
Opening net book amount	5,167,264	-
Acquisition costs	3,972,371	5,167,264
<b>Subtotal</b>	<b>9,139,635</b>	<b>5,167,264</b>
<i>L7 - Perth Basin</i>		
Acquisition costs	1,647,360	-
<b>Subtotal</b>	<b>1,647,360</b>	<b>-</b>
<i>EP437 - Perth Basin</i>		
Acquisition costs	287,256	-
<b>Subtotal</b>	<b>287,256</b>	<b>-</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>11,703,973</b>	<b>5,796,986</b>

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

#### 10. OIL AND GAS PROPERTIES

	30 June 2023	31 December 2022
	\$	\$
<b>Assets in Development</b>		
<i>L23/EP447 - Walyering</i>		
Opening net book amount	10,984,402	-
Transferred from exploration and evaluation assets <sup>1</sup>	-	6,000,000
Additions	10,321,475	4,018,362
Change in restoration provision <sup>2</sup>	1,741,936	966,040
Impairment	-	-
<i>Subtotal</i>	<b>23,047,813</b>	<b>10,984,402</b>
<b>Total Assets in Development</b>	<b>23,047,813</b>	<b>10,984,402</b>

<sup>1</sup>In August 2022, the L23/EP447 Joint Venture made a final investment decision (FID) with respect to the Walyering Project and sanctioned the Walyering gas field for development.

<sup>2</sup>Initial recognition of provision during the period ending 31 December 2022 relating to the production wells. Additional recognition of provision during the period ending 30 June 2023 relating to the production facility.

#### 11. 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	Beneficial Interest	
		30 June 2023	31 December 2022
<i>Joint Operations</i>			
L23/EP447 - Walyering <sup>1</sup>	Australia	45%	45%
Gurvantes XXXV project <sup>2</sup>	Mongolia	33%	33%

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

<sup>2</sup>Joint operation with TMK Energy Limited (ASX: TMK)

In March 2023 the Group completed a binding agreement with Triangle Energy (Global) Limited (**Triangle**) (ASX: TEG) to farm into and acquire 25% of onshore Perth Basin petroleum licenses L7 and EP437. As at the date of this report the Group was awaiting DMIRS transfer approval. As there is no joint control under this agreement this agreement is accounted for under the Group's accounting policies, most notably AASB 6 *Exploration for and Evaluation of Mineral Resources*.

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

#### 12. TRADE AND OTHER PAYABLES

	30 June 2023 \$	31 December 2022 \$
Trade payables	119,515	256,076
Accruals <sup>1</sup>	2,167,487	1,630,844
Other payables	32,545	40,100
<b>Total trade and other payables</b>	<b>2,319,547</b>	<b>1,927,020</b>

<sup>1</sup>Includes \$2,013,192 (Dec 22: \$1,110,985) representing the Groups' 45% interest in creditors and accruals pertaining to L23/EP447 - Walyering. Refer to note 11 for further information on the Groups' interest in joint arrangements.

#### 13. PROVISIONS

	30 June 2023 \$	31 December 2022 \$
<b>Current</b>		
Annual leave provision	12,885	7,276
	<b>12,885</b>	<b>7,276</b>
<b>Non-Current</b>		
Restoration provision <sup>1</sup>	2,738,848	973,050
	<b>2,738,848</b>	<b>973,050</b>

<sup>1</sup>The provision represents the present value of restoration costs relating to oil and gas properties, including the best estimate for costs of removing facilities, abandoning wells, and restoring the affected areas, which are required to settle the restoration obligations at the reporting date, based on current legal requirements. The initial recognition of provision and unwinding of the discount rate occurred during the period ending 31 December 2022 for the production wells with additional recognition of provision recognised during the period ending 30 June 2023 relating to the production facilities.

#### 14. DEFERRED CONSIDERATION

On 1 March 2023, Talon completed the formal farm in agreement to acquire a 25% interest in Triangle's L7 and EP437 northern onshore Perth Basin permits. As consideration for its 25% interest in L7 and EP437, Talon agreed to pay Triangle ~\$1.9 million towards past expenditure on the recently acquired Bookara 3D seismic data with \$1 million paid on 1 March 2023 and the balance of ~\$0.9 million deferred and payable prior to 31 December 2023.

	30 June 2023 \$	31 December 2022 \$
Opening Balance	-	-
Deferred consideration - L7 and EP437 farm-in	900,000	-
Accrued interest capitalised	15,041	-
<b>Total Deferred Consideration</b>	<b>915,041</b>	<b>-</b>

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

#### 15. SHARE CAPITAL

	30 June 2023 No.	31 December 2022 No.	30 June 2023 \$	31 December 2022 \$
Ordinary shares on issue, fully paid	627,347,893	525,709,792	91,353,741	77,360,647

#### Movements in ordinary share capital

Date	Details	Number of shares	Issue price	Value \$
1 Jan 2022	Opening balance (pre-consolidation)	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	110,750,000	0.008	886,000
6 May 2022	Placement to professional and sophisticated investors - T2	1,227,500,000	0.008	9,820,000
16 May 2022	Placement to professional and sophisticated investors - T3	12,000,000	0.008	96,000
27 May 2022	Share Purchase Plan	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: Cost of issue			(859,855)
19 Jul 2022	Balance - pre-consolidation	8,713,039,525		65,480,747
19 Jul 2022	Balance - post-consolidation	435,652,648		65,480,747
16 Aug 2022	Conversion of \$0.16 Performance Rights	2,000,000	0.16	320,000
16 Aug 2022	Conversion of \$0.20 Performance Rights	212,500	0.20	42,500
16-17 Aug 2022	Placement to professional and sophisticated investors - T4	1,237,500	0.16	198,000
25 Aug 2022	Conversion of \$0.12 Options	1,250,000	0.12	150,000
2 Dec 2022	Placement to professional and sophisticated investors	85,357,144	0.14	11,950,000
	Less: Cost of issue			(780,600)
31 Dec 2022	Closing balance	525,709,792		77,360,647
1 Jan 2023	Opening balance	525,709,792		77,360,647
11 Jan 2023	Conversion of \$0.12 Options	750,000	0.12	90,000
8 Feb 2023	Placement to Colby Hauser <sup>1</sup>	357,143	0.14	50,000
13 Mar 2023	Placement to professional and sophisticated investors	82,758,621	0.145	12,000,000
20 Mar 2023	Conversion of \$0.20 Performance Rights	150,000	0.20	30,000
22 Mar 2023	Conversion of \$0.16 Performance Rights	1,250,000	0.16	200,000
31 Mar 2023	Conversion of \$0.20 Performance Rights	160,416	0.20	32,083
13 Apr 2023	Share Purchase Plan	15,623,542	0.145	2,265,425
20 Apr 2023	Shares in lieu of fees <sup>2</sup>	423,453	0.1535	65,000
19 Jun 2023	Shares in lieu of fees <sup>2</sup>	164,926	0.1819	30,000
	Less: Cost of issue			(769,414)
30 Jun 2023	Closing balance	627,347,893		91,353,741

<sup>1</sup> Pertaining to placement that occurred in Dec 2022; shareholder approval received in Jan 2023 and placement finalised in Feb 2023

<sup>2</sup> Issue of consultant shares to Sternship Advisors Pty Ltd in lieu of payment

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

#### 16. RESERVES

	30 June 2023 \$	31 December 2022 \$
<b>a) Share based payments reserve</b>		
Opening Balance	4,050,477	3,367,810
Share option reserve movement during the period	463,881	682,667
Closing balance	4,514,358	4,050,477
<b>b) Foreign currency translation reserve</b>		
Opening Balance	2,815,686	2,641,487
Amount reclassified to profit and loss	(2,658,177)	-
Foreign currency movement during the period	33,478	174,199
Closing balance	190,987	2,815,686
<b>Total Reserves</b>	<b>4,705,345</b>	<b>6,866,163</b>

An amount of \$2,658,177 previously recognised in the Foreign Currency Translation Reserve has been recognised in the Consolidated Statement of Profit and Loss upon deregistration of the US subsidiary entities during the period ending 30 June 2023. Please refer to Note 19 for further details.

The share-based payments reserve is made up of convertible securities, namely options and performance rights, granted to Key Management Personnel and Directors at the discretion of the Board to align the interest of executives, employees, and consultants with those of shareholders. A summary of new convertible securities issued during the period ending 30 June 2023 are as follow:

#### Convertible Securities

##### Options

During the period ending 30 June 2023, the following options were issued:

No. Securities	Exercise Price	Expiry Date
2,000,000	\$0.26	12 Jun 2028

##### Performance Rights

During the period ending 30 June 2023, the following performance rights were issued to incentivise Directors and Key Management Personnel:

Class	No. Securities	Grant Date	Vesting Date	Expiry Date	Vested and Exercisable at 30 June 23
T (var)	250,000	3 Apr 2023	30 Sep 2023	30 Jun 2027	-
U (var)	750,000	3 Apr 2023	30 Jun 2024	30 Jun 2028	-
AB	1,000,000	30 May 2023	9 Jun 2028	9 Jun 2028	-
AC	1,000,000	30 May 2023	9 Jun 2028	9 Jun 2028	-

#### 17. 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 3 April 2023, Mr. Greg Columbus was appointed as Non-Executive Chairman. On 30 May 2023, the Company held its annual general meeting and received shareholder approval to issue unlisted options to Mr. Greg Columbus. The options were issued on 12 June 2023. Details of options granted to Directors as part of compensation during the half-year ended 30 June 2023 are set out below.

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

The valuation of options granted was derived using a Hoadley's Binomial Option Pricing Model, with the following underlying inputs and assumptions:

Options	Total
Grant date	30-May-2023
Vesting date	Immediately
Expiry date	12-Jun-2028
Number of Securities	2,000,000
Security entitlement	One Share per option
Listed / Unlisted	Unlisted
Exercise price	\$0.26
Spot price	\$0.16
Expected volatility	63%
Risk free rate	3.39%
Dividend yield	Nil
Value of Option	\$0.0712
<b>Total Value (\$)</b>	<b>142,400</b>
<b>Expensed during the half-year period ended 30 June 2023 (\$)</b>	<b>142,400</b>

#### Director Performance Rights

On 30 May 2023, the Company held its annual general meeting and received shareholder approval to issue unlisted performance rights to Mr. Greg Columbus. The performance rights were issued on 9 June 2023. Details of performance rights issued to Directors as part of compensation during the half-year ended 30 June 2023 are set out below allocated based on the following milestones (vesting conditions):

- **Class AB** - Talon shares achieving a 20-day VWAP of at least \$0.245
- **Class AC** - Talon shares achieving a 20-day VWAP of at least \$0.29

Director	Class of Performance Rights		
	AB	AC	Total
Greg Columbus	1,000,000	1,000,000	2,000,000
<b>Total</b>	<b>1,000,000</b>	<b>1,000,000</b>	<b>2,000,000</b>



# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

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

Assumptions	Class of Performance Rights		
	AB <sup>1</sup>	AC <sup>1</sup>	Total
Grant Date <sup>3</sup>	30-May-23	30-May-23	
Vesting Date	9-Jun-28	9-Jun-28	
Expiry Date	9-Jun-28	9-Jun-28	
Number of Securities	1,000,000	1,000,000	2,000,000
Security entitlement	One Share	One Share	
Listed / Unlisted	Unlisted	Unlisted	
Exercise price	\$Nil	\$Nil	
Share Price Targets (20-day-VWAP)	\$0.245	\$0.290	
Implied Barrier Price (approx.)	\$0.3047	\$0.3607	
Expected volatility	63%	63%	
Risk free rate	3.39%	3.39%	
Dividend yield	Nil	Nil	
Value of each Security (\$) <sup>2</sup>	\$0.1371	\$0.1292	
Probability	100%	100%	
<b>Total Value (\$)</b>	<b>137,100</b>	<b>129,200</b>	<b>266,300</b>
<b>Expensed during the half-year period ended 30 June 2023 <sup>4</sup> (\$)</b>	<b>2,387</b>	<b>2,249</b>	<b>4,636</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 Columbus (30 May 2023).

On 31 January 2023, at a General Meeting, shareholders approved a variation to the terms of the Class Q, Class R, and Class S Performance Rights issued to Colby Hauser, with the previous conditions on the occurrence of a Change of Control event removed, resulting in the Performance Rights immediately vesting on the occurrence of a Change of Control.

#### Key Management Personnel Performance Rights

On 3 April 2023, the Performance Rights Terms and Conditions for Darren Ferdinando (Exploration Manager) were amended per the below:

- **Class T (Var)** - an additional 250,000 securities issued with issue date of 12 April 2023.
- **Class U (Var)** - an additional 750,000 securities issued with issue date of 12 April 2023.

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

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

Assumptions	Class of Performance Rights		Total
	T (Var) <sup>1</sup>	U (Var) <sup>2</sup>	
Grant Date <sup>3</sup>	3-Apr-2023	3-Apr-2023	
Vesting Date	30-Sep-23	30-Jun-24	
Expiry Date	30-Jun-27	30-Jun-28	
Number of Securities	250,000	750,000	1,000,000
Security entitlement	One Share	One Share	
Listed / Unlisted	Unlisted	Unlisted	
Exercise price	\$Nil	\$Nil	
Share Price Targets (20-day-VWAP)	N/A	0.2766	
Implied Barrier Price (approx.)	N/A	0.3358	
Expected volatility	N/A	56%	
Risk free rate	N/A	3.34%	
Dividend yield	N/A	Nil	
Value of each Security (\$)	0.155	0.0512	
Probability	100%	100%	
<b>Total Value (\$)</b>	<b>38,750</b>	<b>38,400</b>	<b>77,150</b>
<b>Expensed during the half-year period ended 30 June 2023 <sup>4</sup> (\$)</b>	<b>19,054</b>	<b>7,511</b>	<b>26,565</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.

<sup>4</sup> The expense recognised during the period is from the date the securities were offered to the executive.

Aligning with the shareholder approved variation to Performance Rights issued to Colby Hauser, on 3 April 2023, the Company also varied the terms of Class U, Class V and Class W Performance Rights issued to Darren Ferdinando, with the previous conditions on the occurrence of a Change of Control event removed, resulting in the Performance Rights immediately vesting on the occurrence of a Change of Control.

Also aligning with the shareholder approved variation to Performance Rights issued to Colby Hauser, on 3 April 2023, the Company varied the terms of Class Y, Class Z and Class AA Performance Rights issued to Christopher Kohne, with the previous conditions on the occurrence of a Change of Control event removed, resulting in the Performance Rights immediately vesting on the occurrence of a Change of Control.

Reconciliation of share-based payments expensed during the half-year period ended 30 June 2023		\$
Director Options		142,400
Director Performance Rights		4,636
Director Performance Rights granted in prior periods		339,898
2022 / 2023 Key Management Personnel - Incentive Plan		232,431
2021 / 2022 Employee offer - Incentive Plan		6,599
<b>Expense recognised during the half-year period ended 30 June 2023</b>		<b>725,964</b>

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

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#### 18. COMMITMENTS AND CONTINGENCIES

There have been no significant changes to commitments and contingent liabilities since 31 December 2022, with the exception to the following:

- An agreement was executed with Macallum Group Limited during a prior period, which allows for the acquisition of the Condor Project, within EP494 and the recently awarded EP511 (Mucheas Blocks). Talon has until 31 December 2023 (recently extended) to exercise its option in acquiring a 100% interest in the project, for an additional consideration of \$350,000 worth of Talon Shares and an overriding royalty of 1.95% on all hydrocarbon product sales.
- In relation to the Gurrantes XXXV Project, during the prior period, Talon exercised its option to acquire a 33% interest in the Project after satisfying its Stage 1 farm in commitment. During the current period, Talon fulfilled its obligation to fund 100% of the pilot well program, up to US\$3.15 million. Any additional expenditure, including Pilot Well Program operations and subsequent exploration activities, will be incurred at Talon's 33% interest.
- In accordance with the Joint Operating Agreement between the Company and Strike, Talon, through its wholly owned subsidiary, Talon (Aust) Pty Ltd are committed to development, exploration and evaluation costs incurred in line with its 45% interest in the Walyering Project. Following final investment decision in August 2022 for the Walyering Gas Project, Talon has an obligation to fund 45% of the development expenditures for the project. The remaining spend on the Walyering Gas Project, including the upstream facility, well completions and APA connection, after 30 June 2023 was estimated to be around \$1.8 million, net to Talon. Subsequent to period end, the Joint Venture approved the drilling of the Walyering-7 well in early 2024, with an estimated cost of \$5.4 million, net to Talon.
- On 1 March 2023, Talon completed the formal farm in agreement to acquire a 25% interest in Triangle's L7 and EP437 northern onshore Perth Basin permits. As consideration for its 25% interest in L7 and EP437, Talon will pay Triangle ~\$1.9 million towards past expenditure on the recently acquired Bookara 3D seismic data, with \$1 million paid on 1 March 2023, and the balance of ~\$0.9 million to be paid prior to 31 December 2023. In addition to the upfront costs, Talon will fund the following exploration activities as part of its farm-in obligations:
  - In respect to the 1st well on L7 (forecast to be drilled in 2024, at an estimated cost of \$7.50 million), Talon will fund 50% of well costs, up to \$3.75 million; and should well costs exceed \$7.50 million, Talon to fund 25% of the excess (being Talon's initial farm-in interest)
  - In respect of the 2nd well drilled on L7 (forecast to be drilled in 2024, at an estimated cost of \$7.50 million), Talon will fund 37.5% of well costs, up to \$2.81 million; and should the well costs exceed \$7.50 million, Talon to fund 25% of the excess (being Talon's initial farm-in interest)
  - In respect to the well to be drilled on EP437 (forecast to be drilled in 2024, at an estimated cost of \$3.0 million), 25% of actual well costs
  - In accordance with the Joint Operating Agreement, Talon is committed to fund all other exploration and evaluation costs incurred in line with its' 25% interest in the permits.

#### 19. DISCONTINUED OPERATIONS

##### a) Description

In line with the Group's operational focus being on the Perth Basin assets and the Mongolian asset, the Company has taken the necessary steps to deregister its four US incorporated entities during the period ending 30 June 2023 being:

- Texoz E&P Holdings III, Inc.
- Texoz E&P III, Inc
- Texoz E&P Holdings I, Inc
- Texoz E&P I, Inc

All necessary local lodgments and filings have been completed for deregistration.

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

#### b) Financial performance and cash flow information

The results of the entities listed above have been disclosed as discontinued operations. The comparative profit and cash flows from discontinued operations for the period are set out below:

	30 June 2023 \$	31 December 2022 \$
Revenue	-	-
Other gains (amount previously recognised in other comprehensive income)	2,658,177	-
Expenses	-	(17,357)
<b>Profit / (Loss) from discontinued operations</b>	<b>2,658,177</b>	<b>(17,357)</b>
Net cash outflow from operating activities	-	(17,357)
Net cash outflow from investing activities	-	-
Net cash outflow from financing activities	-	-
<b>Net decrease in cash used by discontinued operations</b>	<b>-</b>	<b>(17,357)</b>

#### c) Details of the disposal of subsidiaries

There is no gain or loss in relation to the deregistration of these US entities. There are no carried forward asset balances except for intercompany loan balances and investments which have been fully impaired and have nil impact on the Talon Group.

An amount of A\$2,658,177 previously recognised in the Foreign Currency Translation Reserve which relates to the US Subsidiaries has been recognised in the Consolidated Statement of Profit and Loss.

## 20. CHANGES IN GROUP STRUCTURE

The following subsidiary entities were incorporated during the half-year period ending 30 June 2023:

- Talon (L7) Holding Pty Ltd
- Talon (L7) Pty Ltd
- Talon (EP437) Holding Pty Ltd
- Talon (EP437) Pty Ltd

The subsidiary entities listed above are incorporated in Australia and are 100% owned by the Company as the parent entity.

As stated in note 19 above, the Company has taken the necessary steps to deregister its four US incorporated entities during the period ending 30 June 2023 being:

- Texoz E&P Holdings III, Inc.
- Texoz E&P III, Inc
- Texoz E&P Holdings I, Inc
- Texoz E&P I, Inc

All necessary local lodgments and filings have been completed for deregistration.

# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

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#### 21. RELATED PARTIES

There have been no significant changes to related party transactions since 31 December 2022, with the exception to the following:

- *Director Performance Rights* - Unlisted performance rights were issued on 9 June 2023 to Mr. Greg Columbus as Non-Executive Chairman. Details of performance rights granted to Directors as part of compensation during the half-year ended 30 June 2023 are set out in Note 17.
- *Director Options* - Unlisted options were issued on 12 June 2023 to Mr. Greg Columbus as Non-Executive Chairman. Details of options granted to Directors as part of compensation during the half-year ended 30 June 2023 are set out in Note 17.
- *Director Related Entity* - the Company paid corporate consulting fees to Mathew Worner amounting to \$12,000 during the half-year ended 30 June 2023.
- *Key Management Personnel Performance Rights*: Additional unlisted performance rights were issued to Darren Ferdinando on 3 April 2023. Details of performance rights granted to Key Management Personnel as part of compensation during the half-year ended 30 June 2023 are set out in Note 17.
- *Key Management Personnel Related Entity*: The Company has a North Perth Basin Project Licence Agreement with Basin Science Pty Ltd, a company associated with Darren Ferdinando. During the half-year ended 30 June 2023, the Company made payments amounting to \$30,000 in relation to the Licence Agreement.

#### 22. SUBSEQUENT EVENTS

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

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

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

On 14 August 2023, Talon announced to the ASX that it entered a binding Scheme Implementation Deed with Strike pursuant to which Strike will acquire all the issued shares in Talon by way of a scheme of arrangement (**Scheme**). In parallel with the Scheme, Talon will explore options to spin-out its 33% interest in the Mongolian assets to Talon shareholders. As part of the transaction, Strike and Talon entered into a binding facility agreement pursuant to which Strike has agreed to provide a A\$6 million convertible financing facility to assist Talon fund its short-term working capital needs through the Scheme process.

There were no other events subsequent to the reporting date.

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.

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# TALON ENERGY LTD

## Consolidated Interim Financial Report 30 June 2023

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

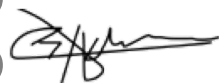
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#### Directors' Declaration

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 2023 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.



Colby Hauser  
Managing Director and CEO  
Dated 8 September 2023

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## INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Talon Energy Limited

### Report on the Half-Year Financial Report

#### Conclusion

We have reviewed the half-year financial report of Talon Energy Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 30 June 2023, 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 2023 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 2023 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**

BDO  


**Jarrad Prue**

**Director**

Perth,

8 September 2023

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## Glossary

1C	low estimate of Contingent Resource in accordance with the SPE-PRMS
2C	best estimate of Contingent Resource in accordance with the SPE-PRMS
3C	high estimate of Contingent Resource in accordance with the SPE-PRMS
1P	proved (developed plus undeveloped) reserves in accordance with SPE-PRMS
2P	proved plus probable reserves in accordance with the SPE-PRMS
3P	proved, probable and possible reserves in accordance with SPE-PRMS
1U	unrisked low estimate qualifying as Prospective Resources in accordance with SPE-PRMS
2U	unrisked best estimate qualifying as Prospective Resources in accordance with SPE-PRMS
3U	unrisked high estimate qualifying as Prospective Resources in accordance with SPE-PRMS
A\$	Australian dollars, unless otherwise stated
AASB	Australian Accounting Standards Board or, if the context requires, an Australian Accounting Standard adopted by it
AGM	Annual General Meeting
ASIC	Australian Securities and Investments Commission
ASX	ASX Limited (ACN 008 624 691) or, if the context requires, the securities market operated by it
bbl	barrels
Bcf	billion cubic feet
boe	barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 barrel of oil equivalent)
bopd	barrels of oil per day
bwpd	barrels of water per day
CEO	Chief Executive Officer
Company or Talon Constitution	Talon Energy Limited (ABN 88 153 229 086) constitution of the Company
Contingent Resource	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations by application of development projects, but which are not currently considered to be commercially recoverable owing to one or more contingencies in accordance with SPE-PRMS
Corporations Act	Corporations Act 2001 (Cth)
Director	director of the Company
Group	Talon and its subsidiaries
IFRS	International Financial Reporting Standards
KMP	any or all (as the context requires) of the key management personnel, as defined in paragraph 9 of AASB 124 Related Party Disclosures dated December 2009
LTI	long term incentive
m	metres
Mbbl	thousand barrels
Mboe	thousand barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 boe)
Mscf	thousand cubic feet
Mscf/d	thousand cubic feet per day
MMbbl	million barrels of oil
MMboe	million barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 boe)
MMscf	million cubic feet
MMscf/d	Million cubic feet per day
NGL	natural gas liquids
ORRI	overriding royalty interest, which is a percentage share of production free from all costs of drilling and producing
Prospective Resource	Those quantities of petroleum estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects in accordance with SPE-PRMS
Q	year quarter
Share	fully paid ordinary share in the capital of the Company
SPE-PRMS	Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers
STI	short term incentive
Texon	Texon Petroleum Ltd (ABN 24 119 737 772)
Texoz	Texoz E&P II, Inc.
US\$	U.S. dollars
VWAP	volume weighted average price
WI	working interest, a cost bearing interest of an oil and gas project