TALON PETROLEUM LIMITED

ABN 88 153 229 086

ANNUAL REPORT
FOR THE YEAR ENDED
31 DECEMBER 2019

Contents

Corporate Directory

Directors	**Peter Stickland** Non-Executive Chairman
	Matt Worner Managing Director
	Graham Dorè Non-Executive Director Appointed 15 May 2019
	Stephen Jenkins Non-Executive Director Appointed 7 June 2019
Company Secretary	Lauren Nelson
Principal Place of Business and Registered Office	1202 Hay Street West Perth WA 6005 Telephone: +61 8 6319 1900
Auditors	BDO Audit (WA) Pty Ltd 38 Station Street Subiaco WA 6008 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 3 9415 4000 www.computershare.com.au
Stock Exchange Listing	Australian Securities Exchange Limited ASX Code: TPD
Website	www.talonpetroleum.com.au

Chairman's Letter

Dear Shareholder,

2019 has seen the transformation of Talon into a focussed UK North Sea exploration company.

Over the course of the year, your Company has successfully captured interests in a total of four licences containing six high-impact exploration prospects with a combined best-case prospective resource in excess of 200mmboe. These prospects are in addition to Talon's maiden UK North Sea acquisition, being a ten percent interest in the 39mmboe (gross 2C Contingent Resource) Curlew-A discovery.

Having spent the 2019 year assembling an initial asset portfolio, Talon's focus is firmly on the progression of these assets to the drilling stage. Our primary objective is to source industry funding for our prospects and farmout processes are underway across the full exploration asset portfolio. The commencement of the 2020 new year has seen a significant pick up in interest from potential partners looking for top shelf drilling opportunities. This is most pleasing to see. Talon's aim is to lock down farmout deals as quickly as possible this year. The Company is also on the lookout for additional opportunities in the UK North Sea region to bolster our portfolio and provide additional value creation opportunities for our shareholders.

We were also most pleased to expand the Talon team through the addition of Graham Dorè, Steve Jenkins to the Board and the appointment of Paul Young as Geoscience Manager. These three gentlemen bring an unrivalled knowledge base and history of exploration success in the UK North Sea region as well as a track record of delivering exceptional value creation for shareholders.

I would also like acknowledge former Talon directors, Peter Love and Roger Steinepreis who resigned from the board during the year. Their efforts in helping Talon establish a new direction are most appreciated by the rest of the Board.

In recent weeks, we have seen a dramatic change in the macro-economic climate through the impact of COVID-19 virus and a drop-in oil prices. As a Board, we recognise that times such as these require prudent leadership. As such, we have implemented a wide range of cost cutting initiatives, including significant reductions in Director fees and salaries, to conserve capital and ensure that your Company is well placed to not only get through this difficult period but also thrive once a turnaround commences.

Despite the current turbulent times, there is much to look forward to at Talon in 2020 and beyond. The Company's team and initial asset base have been established and the coming year has the potential to deliver much for the Company and its shareholders, who remain our focus and who we work for.

Your Company has a great deal of promise – we look forward to delivering on that promise for you.

Peter Stickland
Non-Executive Chairman

Operational Review

Highlights during 2019

Highlights during the year 2019 included:

- The acquisition of EnCounter Oil Limited, which brought to Talon two high-impact UK North Sea exploration prospects in Skymoos and Rocket as well as a highly credentialed team of subsurface experts in Graham Dorè and Paul Young. Messrs Dorè and Young have been responsible for some of the most significant exploration successes in the UK North Sea over the last two decades
- The expansion of the Talon Board with the appointment of Mr Steve Jenkins as a non-executive director. Mr Jenkins has over 35 years' experience in oil and gas exploration and was the CEO of Nautical Petroleum plc, which listed on AIM with a single UK North Sea exploration asset and was eventually sold to Cairn Energy plc for £414 million, and is a welcome addition to the Company's highly qualified Board
- The successful continuation of Talon's new venture's effort with a focus on the UK Central North Sea and yielding the addition of two additional licence interests via the UK Oil and Gas Authority offshore licensing rounds containing the Vantage, Thelma, Louise and Buffalo Prospects
- A successful capital raising in an amount of $1,250,000 to sophisticated investors to assist the Company with its North Sea growth plans

Overall, 2019 saw the Company bring together an exciting, initial portfolio of exploration assets, with a best estimate prospective resource in excess of 200mmboe (net to Talon)

Licence	Interest	Prospects and Resources
P2363	100%	• **Skymoos:** 107mmboe (best estimate)
P2392	100%	• **Rocket:** 27mmboe (best estimate)
P2477	50%	• **Vantage:** 44mmbo (best estimate)
P2496	100%	• **Thelma:** 29mmbo (best estimate) • **Louise** 17mmbo (best estimate) • **Buffalo:** 160Bcf (best estimate)
P2396	10%	• **Curlew-A:** 39mmbo (2C contingent resource) discovery

Operational Review

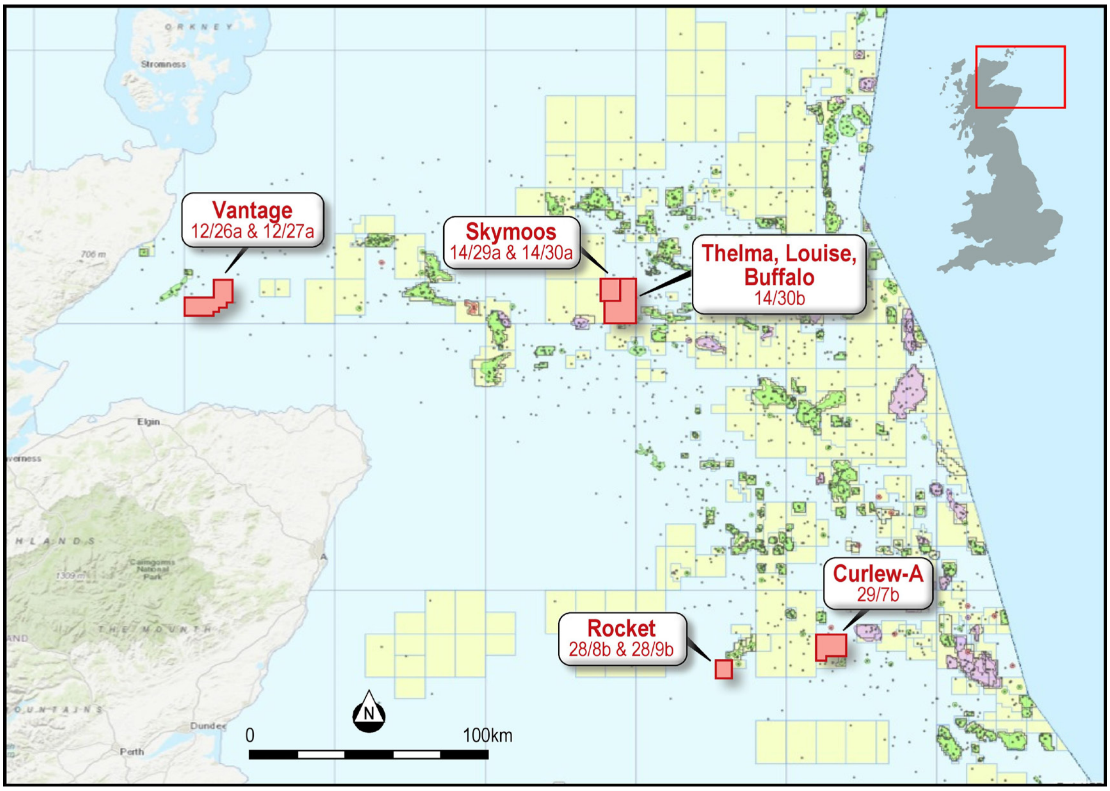

Figure 1 - Talon's UK North Sea acreage

Acquisition of EnCounter Oil Limited

The Company announced on 31 January 2019, a transaction to acquire 100% of the shares in EnCounter Oil Limited ('EnCounter'), which was subsequently approved by shareholders at the Company's general meeting held on 12 March 2019.

The transaction with EnCounter was a major advancement of the Company's UK North Sea acquisition strategy and provided the Company with initial low-cost exposure to a portfolio of two exciting exploration licences containing prospects with a significant prospective resource and brings to Talon a highly-regarded team of North Sea oil finders. EnCounter was formed in 2012 by key former members of the executive management team of EnCore Oil plc (**EnCore**).

EnCore was a London-listed, North Sea focussed E&P company which formed in 2005. EnCore was involved in 25 successful wells and was responsible for significant hydrocarbon discoveries at Breagh, Cladhan, Catcher, Varadero and Burgman as well as several other smaller discoveries.

EnCore was acquired by Premier Oil in 2011 for £221 million.

Transaction overview

Talon acquired 100% of the issued share capital of EnCounter for the consideration below:

- 100mm ordinary Talon shares, subject to a 12-month voluntary escrow period
- 150mm Performance Shares converting to ordinary Talon shares upon the successful farm-out of the Skymoos Prospect, and Talon electing to move into the drilling phase of Licence 2363 on or before 30 September 2021
- 150mm Performance Shares converting to ordinary Talon shares upon the successful farm-out of the Rocket Prospect, and Talon electing to move into the drilling phase of Licence 2392 on or before 30 September 2021
- As part of the transaction, Mr. Graham Doré and Mr. Paul Young joined the Company in the positions of Technical Director and Geoscience Manager, respectively.

Operational Review

The Skymoos Prospect – 107mmbo (best estimate prospective resource)

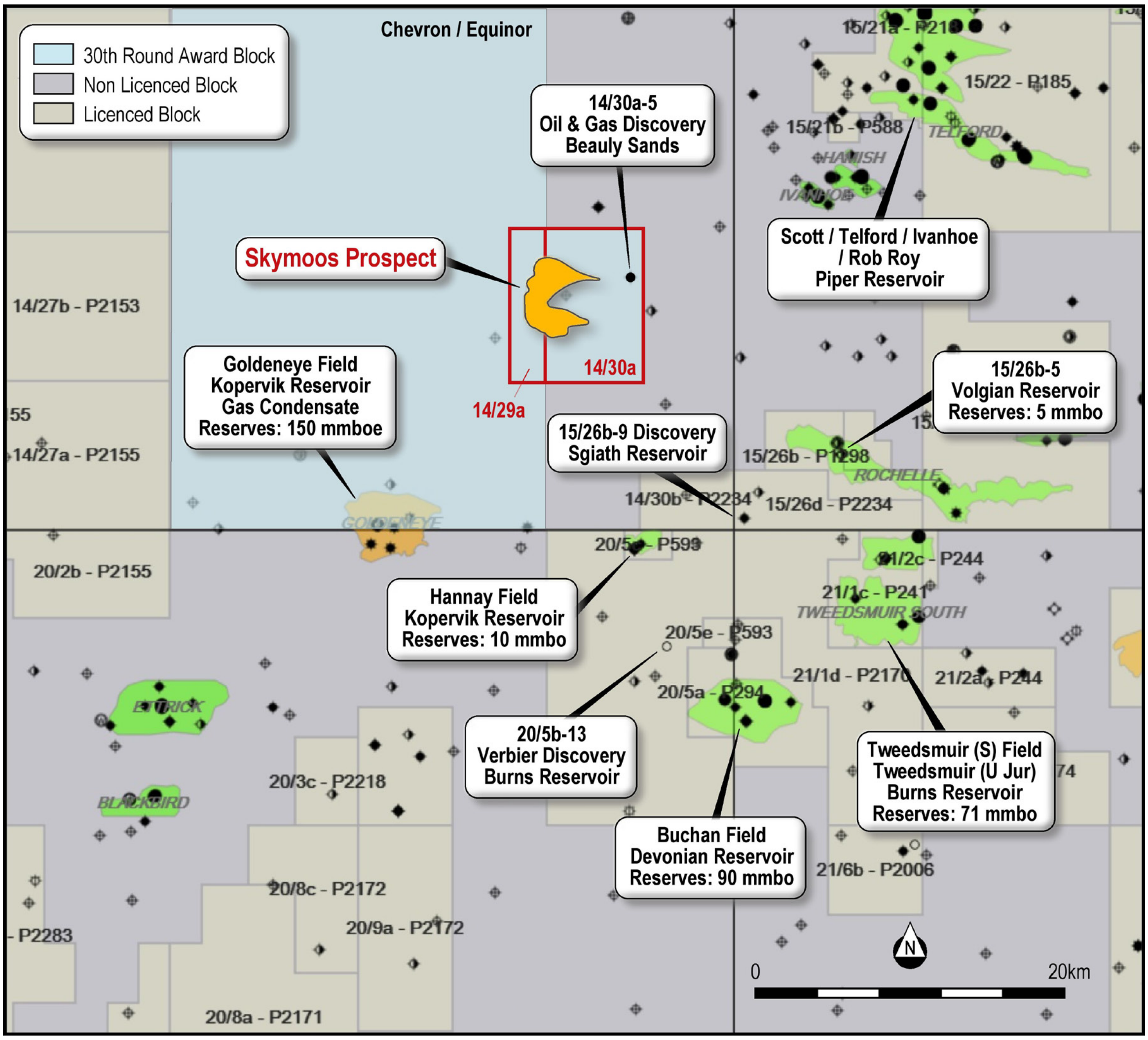

Figure 2 - Map showing location of Licence 2363 (area shown in red)

Licence P2363 is an Innovate Phase A Licence which was awarded to EnCounter in October 2018. The Licence is located in the Outer Moray Firth, west of the Scott and Telford Fields and north of the recent Equinor Burns Sandstone Verbier Discovery. The Licence, comprising Blocks 14/29a and 14/30a, contains the Skymoos Prospect which is a structural/stratigraphic closure within Upper Jurassic age Burns Sandstone reservoir. Additional prospectivity is recognised within the underlying Claymore Sandstones.

Skymoos sits on trend with a number of developed oil and gas discoveries in an area of prolific hydrocarbon charge. The targeted play type has proved successful in recent years at fields such as Buzzard but remains untested in the block, as adjacent vintage drilling has not had the benefit of 3D seismic data.

The Skymoos Prospect has a best estimate prospective resource of 107mmbo and a chance of success of around 33%.

Operational Review

Rocket Prospect - 27mmbo (best estimate prospective resource)

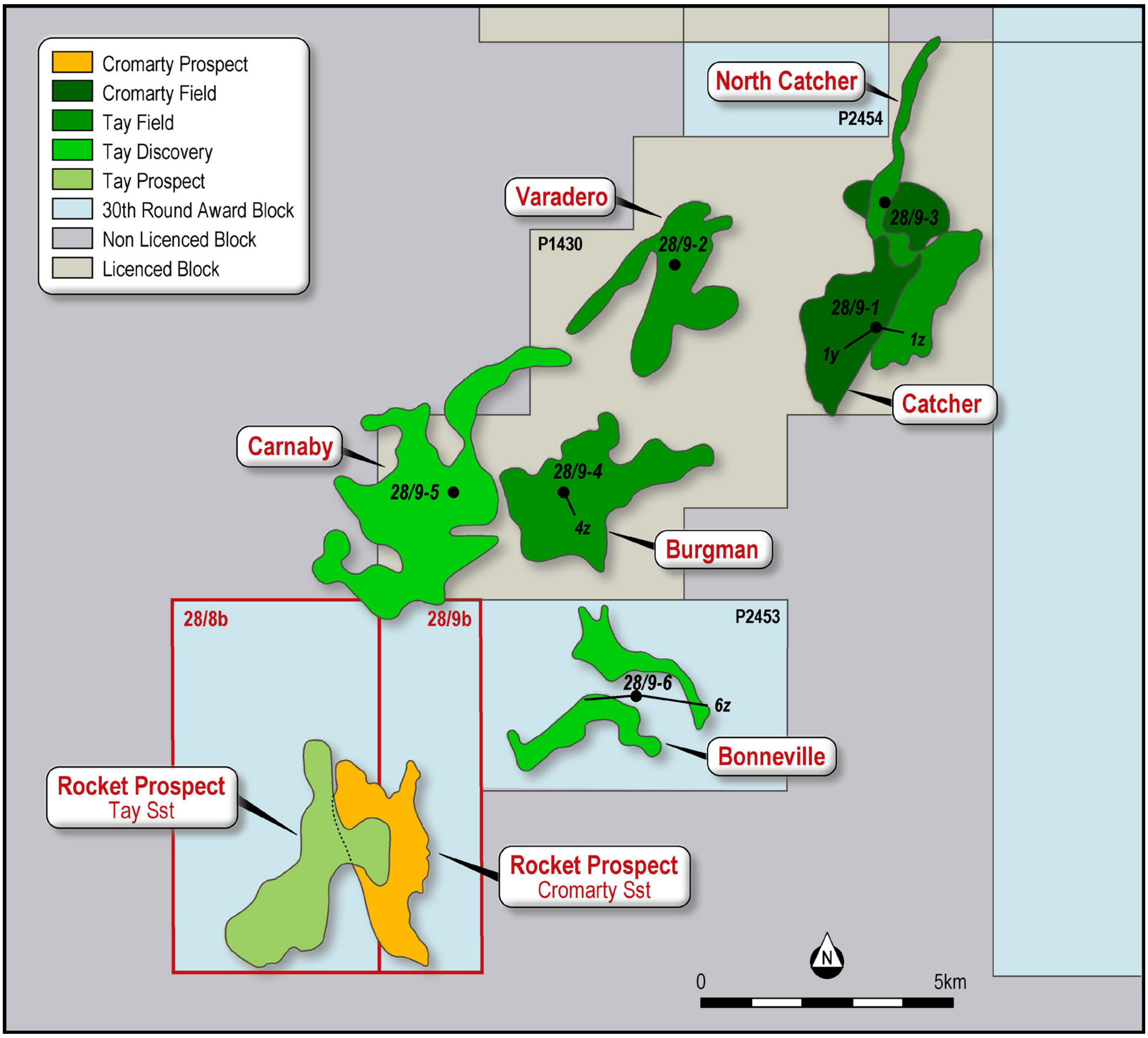

Figure 3 - Map showing location of P2392 Licence (area in red) and Rocket Prospect

The Rocket Prospect lies entirely within the Innovate Phase A Licence P2392, which was awarded to EnCounter during October 2018 as part of the UKCS 30th Seaward Licensing Round. As shown in Figure 3, the Licence is formed by two blocks bordering the greater Catcher Field development area, which was discovered by EnCore prior to its sale to Premier.

Located in the oil-rich western margin of the North Sea Central Graben, and adjacent to analogous discoveries of the Greater Catcher Area, Rocket is a stratigraphic Palaeocene age Cromarty reservoir prospect, with additional potential in the overlying Tay sand. Should the Rocket Prospect be successful, the development of the well will be led by a short tieback to this recently commissioned development facility.

Rocket has a 27mmbo best estimate prospective resource and a chance of success of around 30%.

Operational Review

Vantage Prospect - 44mmbo (best estimate prospective resource)

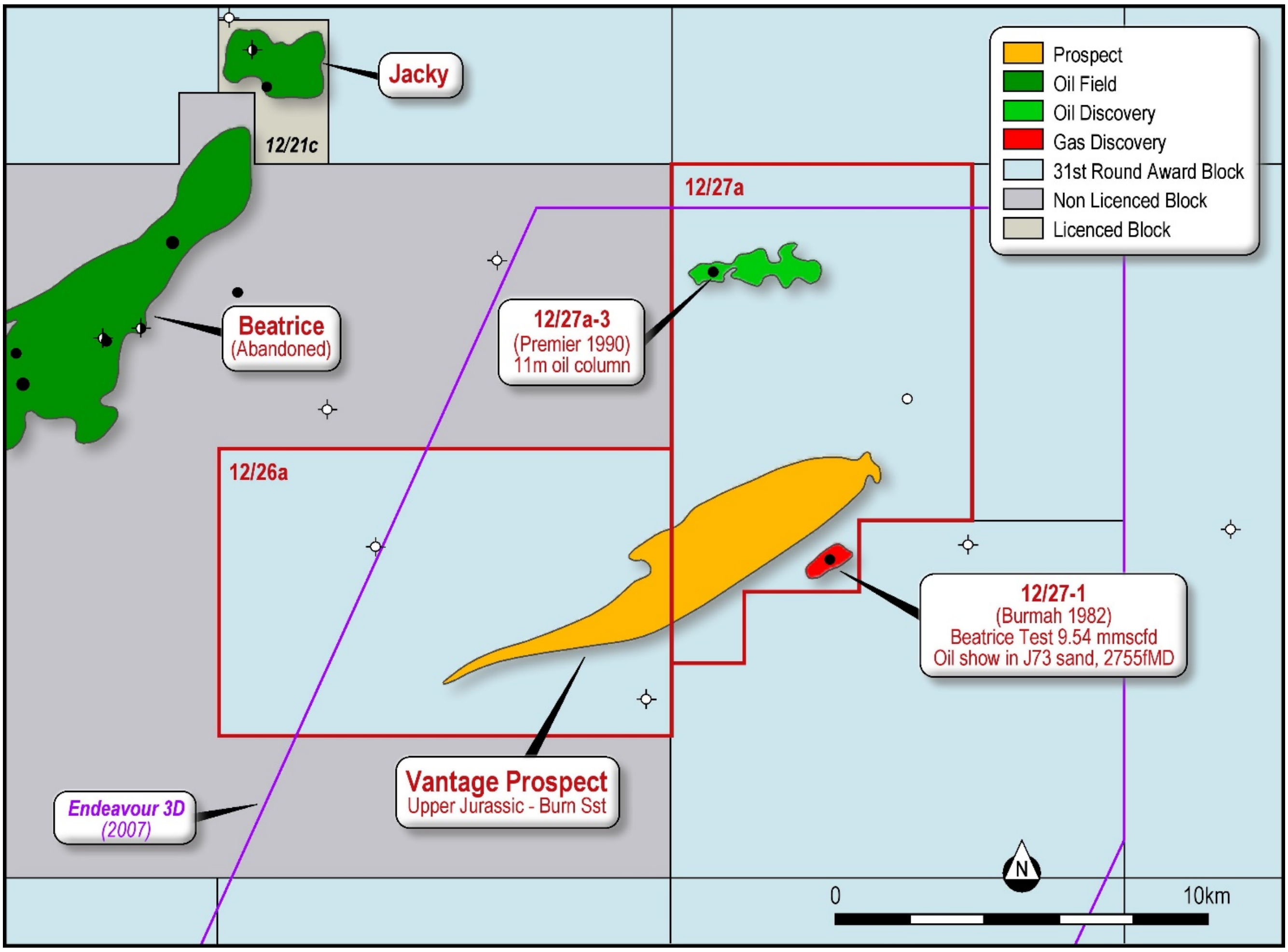

Figure 4 - Map showing location of P2477 Licence (area in red) and Vantage Prospect

In June 2019, Talon was awarded a 50% interest innovate Phase A licence P2477, which contains the Vantage Prospect. Vantage is an Upper Jurassic stratigraphic trap updip of a known oil discovery well located in the P2477 licence area and contains a 44mmbo (gross best estimate) prospective resource.

Vantage has a chance of success of around 30% and the relevant licence contains modest work commitments in its present phase, the cost of which is approximately A$60,000.

A farmout process has been commenced and Talon is currently fielding strong interest from potential partners for participation in drilling on Vantage.

Operational Review

Thelma, Louise and Buffalo Prospects

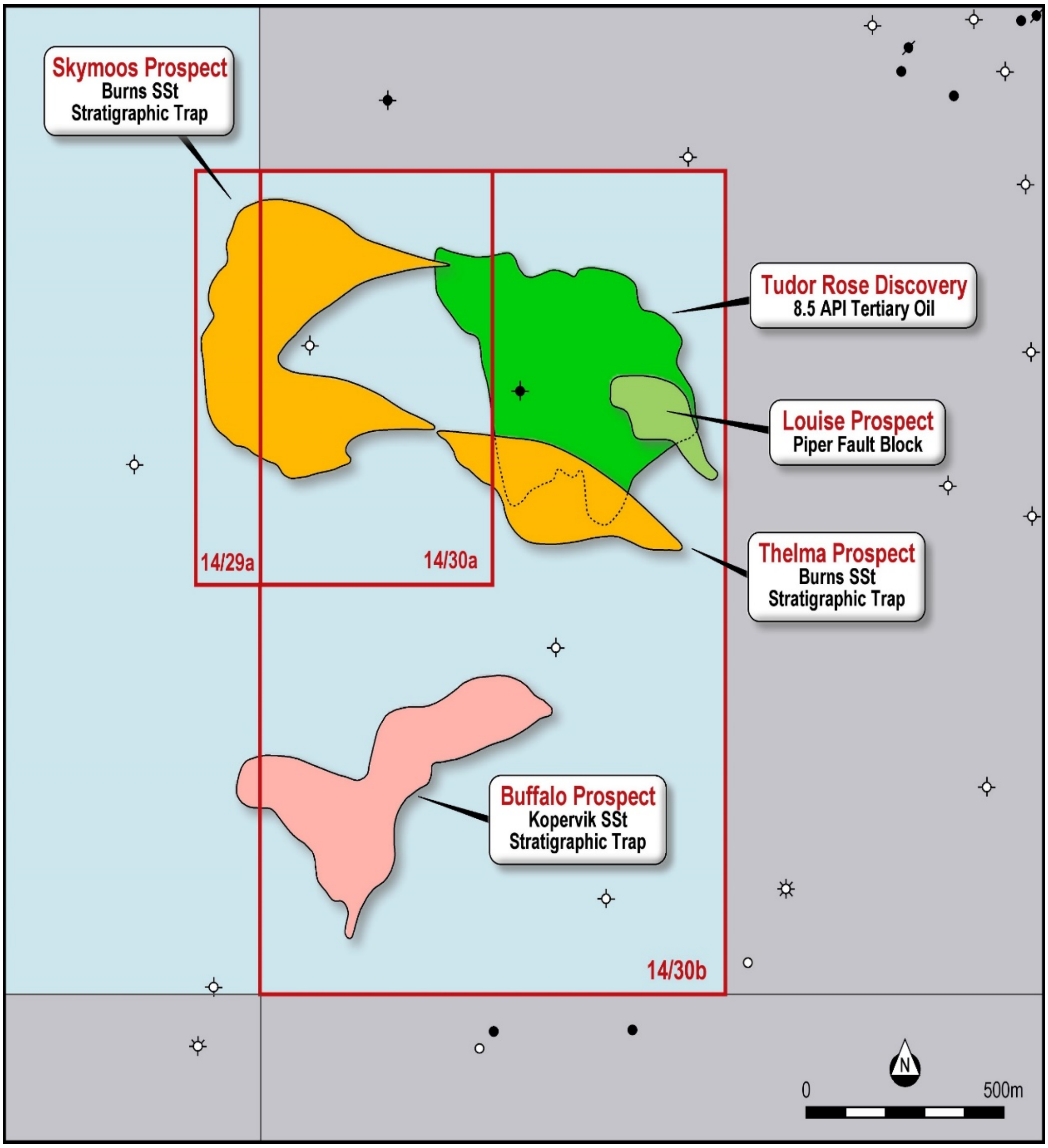

Figure 5 - Map showing location of P2496 Licence (area in red) and Thelma, Louise and Buffalo Prospects

In July 2019, Talon was awarded a 100% participating interest in Licence P2496. The licence area sits adjacent to Licence 2363, which contains the Skymoos Prospect and provides important follow-on drilling potential in the event of success at Skymoos.

Licence P2496 contains:

- 29mmbo (best estimate) Thelma Prospect – a Burns Sandstone stratigraphic trap
- 17mmbo (best estimate) Louise Prospect – a Piper Fault Block target
- 160Bcf (best estimate) Buffalo Prospect – a Kopervik Sandstone target

P2496 is an innovate Phase A licence with a two-year initial phase and work commitment costs of approximately A$30,000.

Operational Review

Curlew-A Discovery

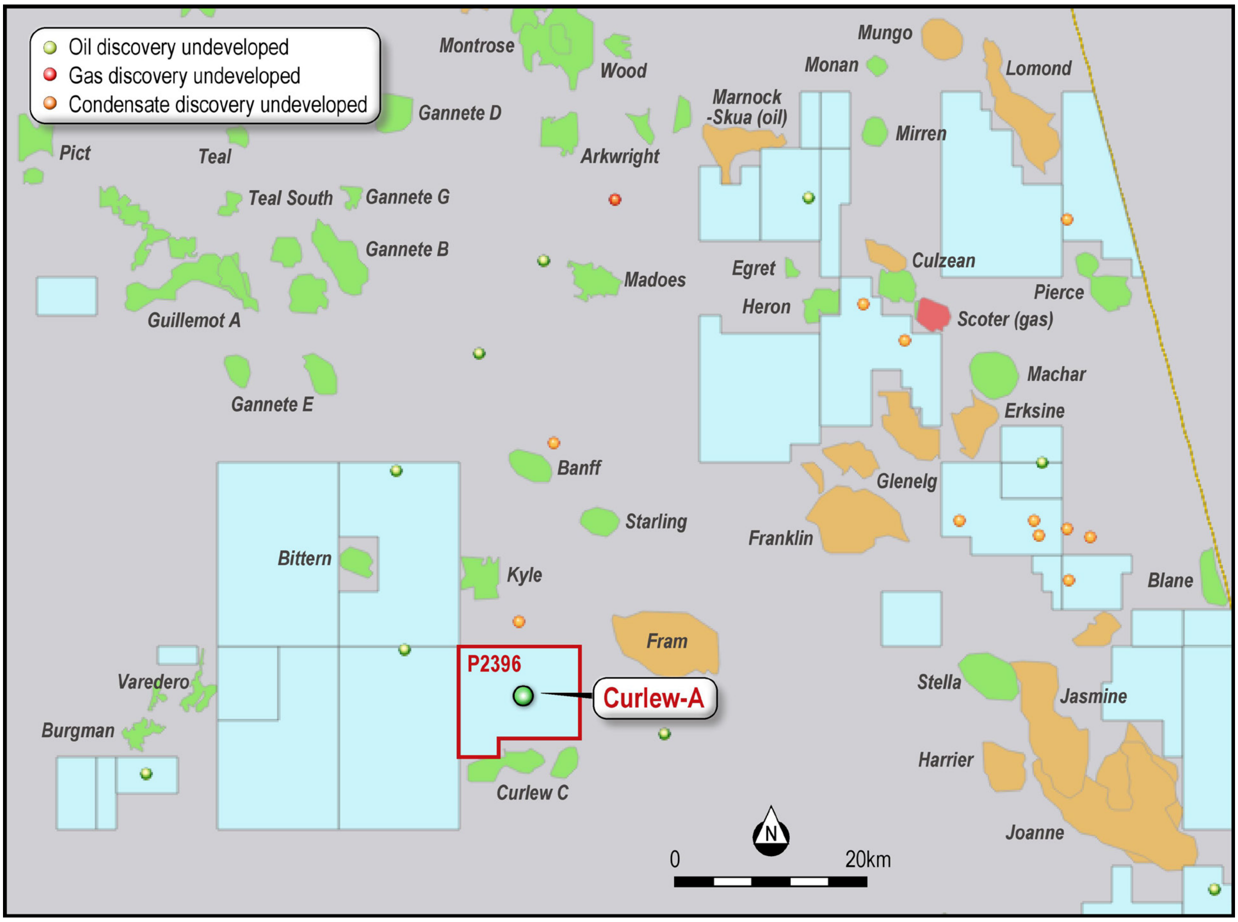

Figure 6 - Map showing location of P2396 Licence (area in red)

Talon holds a 10% participating interest in Licence 2396, which holds the 39mmboe (2C Contingent Resource) Curlew-A discovery. The location of Curlew-A, including its proximity to other existing discoveries and producing fields significantly enhances the value of the hydrocarbons post successful appraisal. Scoping economics on possible development indicate a minimum economic field size of 8mmboe, indicating that even in the Low Estimate case, the project has the potential to be robustly economic

A well site survey was shot over the proposed Curlew-A drilling location in July 2019 with a view to drilling an appraisal well during the course of 2020.

United States oil and gas acreage

During the course of 2019, the Company disposed of its interest in the Mosman Rockingham (MR) Olmos Project, located in McMullen County, Texas and is now fully focussed on its UK North Sea strategy and asset portfolio.

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Operational Review

Reserves and resources

Contingent Resources

In conjunction with this Annual Report, a resource report was prepared in February 2019 by an independent third-party firm in accordance with the SPE-PRMS. Estimates of net resources and future revenue are prepared for Low, Best and High. The 31 December 2019 Contingent Resources were assessed by Schlumberger Oilfield UK ("Schlumberger") which meets the requirements of qualified petroleum reserves and resources evaluators (refer to page 59 of this Annual Report for the qualified evaluator statement).

Talon Net Working Interest Contingent Resources (Curlew-A)

	Oil – MMbbl	Gas -Bscf	MMboe (6:1)
Low Estimate – 1C	1.55	2.39	1.95
Best Estimate – 2C	3.62	5.09	4.5
High Estimate – 3C	6.83	7.91	8.15

AGM

The Company's AGM was held on 22 May 2019 and all resolutions put to shareholders were passed.

OUTLOOK

2019 saw Talon continue with its strategy of an expansion of its business in the UK Central North Sea. This effort has seen the Company agree two transactions and assemble a portfolio of compelling exploration and appraisal assets in the region.

The focus of the Company is to source industry funding for its exploration assets acquired during the year and a farmout process has been commenced with Talon fielding strong interest in its portfolio of exploration prospects.

Achieving farmout outcomes is the focus of management along with the continuation of the Company's plans to expand its portfolio in the area of the UK North Sea with many good quality opportunities available.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Talon Petroleum Ltd support and have adhered to the principles of sound corporate governance. The Board recognises the recommendations of the Australian Securities Exchange Corporate Governance Council and considers that the Company is compliant with many of those guidelines which are of importance to the commercial operation of the Company. During the financial year, shareholders continued to receive the benefit of an efficient and cost-effective corporate governance policy for the Company.

Details of Talon's current corporate governance practices is set out in Talon's corporate governance statement which can be viewed on the Talon website at www.talonpetroleum.com.au.

Director's Report

The Directors present their report together with the consolidated financial statements of Talon Petroleum Limited ('the Company' or 'Talon') and of the Group, being the Company and the entities it controlled at the end of, or during, the year ended 31 December 2019 and the auditor's report thereon.

DIRECTORS

All Directors have been in office for the entire period unless otherwise stated. The names of the Directors in office at any time during or since the end of the report period are:

Director	Title	Appointment Date
Peter Stickland	Non-Executive Chairman	1 October 2018 as Non-Executive Director 12 March 2019 as Chairman
Matt Worner	Managing Director	4 December 2017 as Director 17 December 2018 Managing Director
Graham Doré	Non-Executive Director	15 May 2019
Stephen Jenkins	Non-Executive Director	7 June 2019
Roger Steinepreis	Non-Executive Director	Resigned 30 June 2019
Peter Love	Non-Executive Chairman	Resigned 12 March 2019

COMPANY SECRETARY

Lauren Nelson appointed 15 January 2018.

PRINCIPAL ACTIVITIES

The principal activities of the Group during the financial year were to identify and capture new assets in the UK North Sea and to manage the Company's existing production assets in the USA. The Group's presentation currency is Australian dollars ($).

FINANCIAL REVIEW

The Group's consolidated loss after tax for the year ended 31 December 2019 was $1,517,293 (2018: $932,196) with a net cash position at 31 December 2019 of $1,850,954 (31 December 2018: $2,158,297) and net operating cash outflows of $1,469,216 (2018: $800,202).

DIVIDENDS

No dividend has been declared or paid by the Company since the start of the financial period and the Directors do not at present recommend a dividend.

Director's Report

EVENTS SUBSEQUENT TO REPORTING DATE

The World Health Organisation announced that the new coronavirus disease (COVID-19) had become a pandemic on 11 March 2020. The Group has developed policies and procedures to address the health and wellbeing of employees.

The timing, extent of the impact and recovery from COVID-19 on our directors, shareholders and suppliers is unknown at this stage.

The full impact of COVID-19 outbreak continues to evolve as at the date of this report. As such the company is unable to estimate the effects of the COVID-19 outbreak on the company's financial position, liquidity and operations in the financial year 2020.

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

LIKELY DEVELOPMENTS

Other than as referred to in this report, further information as to likely developments in the operations of the Company and likely results of those operations would, in the opinion of Directors, be speculative.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Other than as disclosed elsewhere in this Directors' Report, there have been no significant changes in the state of affairs of the Group during or since the end of the year ended 31 December 2019.

ENVIRONMENTAL REGULATION

The Company's operations are located in the North Sea and are therefore not subject to any environmental regulation under either Australian Commonwealth or state legislation. However, the Company is subject to extensive federal, state, local and foreign laws and regulations in Texas and the USA generally and the Board has adequate systems in place for the management of its environmental requirements in Texas and is not aware of any breach of these requirements.

SHARE OPTIONS

Unissued Shares

At the date of this report there are 97,500,000 unissued Shares of the Company under unlisted options with an exercise price of $0.005 and an expiry date of 31 December 2020.

Shares issued as a result of the exercise of options

During or since the end of the year ended 31 December 2019, no shares were issued by the Company as a result of the exercise of options.

INDEMNIFICATION AND INSURANCE OF OFFICERS

The Company has agreements with each of the Directors and Officers of the Company in office at the date of this report and former Directors indemnifying them to the extent permitted by law against all liabilities incurred in their capacity as officers of the Company and its controlled entities and all reasonable legal costs incurred by any of them in the defence of an action for a liability incurred by that officer. The indemnity continues to have effect when the Directors and Officers cease to hold office.

The Directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the Directors' and Officers' liability as such disclosures are prohibited under the terms of the contract.

Director's Report

DIRECTOR BIOGRAPHIES

Peter Stickland (Non-Executive Chairman) B.Sc Hons (Geology), GDipAppFin (Finsia), GAICD

Mr Stickland has over 25 years global experience in oil and gas exploration. Peter is currently a non-executive director of XCD Energy (ASX:XCD) & Melbana Energy (ASX:MAY). Peter was CEO of Melbana from 2014 until early 2018 during which time he led the restructuring of the company and secured the Block 9 PSC in Cuba.

Peter was also CEO of Tap Oil Limited (ASX: TAP) from 2008 until late 2010 during which time he oversaw the evolution of the company into a South East Asia/Australia focused E&P Company. Earlier, Peter had a successful career with BHP Billiton including a range of technical and management positions.

Peter is an Honorary Life Member of the Australian Petroleum Production and Exploration Association Limited (APPEA) and was a member of the APPEA Board from 2009 to 2017.

Interest in shares and options held as at date of this report:
Mr Peter Stickland and Mrs Susan Jane Stickland <P&S Stickland Super Fund A/C>
15,000,000 Fully Paid Ordinary Shares

Matthew Worner (Managing Director)

Mr Worner is an experienced oil and gas executive who has worked with ASX and London listed E&P companies in various legal, commercial and new ventures/business development roles. He has overseen the completion of multiple asset acquisitions and divestments the world over, including Asia, Africa, US and Australasia as well as significant experience dealing with joint venture partners, host governments and NOCs in these regions.

Interest in shares and options held as at date of this report:
Mr Matthew McNeill Worner <MM Worner Family A/C>
1,533,333 Fully Paid Ordinary Shares

Mr Matthew McNeill Worner
30,000,000 options exercisable at $0.005 on or before 31 Dec 2020

Graham Doré (Non-Executive Director), Appointed 15 May 2019

Mr Doré is a founder of EnCounter Oil and has over 30 years experience as an exploration geologist. A proven oil finder, Mr Doré has been involved in some of the most significant hydrocarbon discoveries in the UK North Sea this centuryInterest in shares and options held as at date of this report:

Interest in shares and options held as at date of this report:
Graham Doré
30,000,000 Fully Paid Ordinary Shares (22,000,000 subject to 12 months voluntary escrow until 15 May 2020)
108,000,000 Performance Shares

Stephen Jenkins (Non-Executive Director), Appointed 7 June 2019

A geologist by profession and with a career spanning 35 years, Mr Jenkins is widely recognised as one of the most capable oil and gas executives in the United Kingdom.

Stephen was founder and CEO of Nautical Petroleum plc, an AIM listed E&P company with a significant portfolio of exploration and appraisal assets in the UK North Sea, including the pre-development projects at the Mariner, Kraken and Catcher Field areas. Having listed on AIM with a single asset in 2005, Nautical Petroleum was acquired by Cairn Energy plc in 2012 for £414 million.

Stephen is currently Chairman of the UK Oil and Gas Independents Association, and Non-Executive Chairman of both Savannah Petroleum plc, an AIM listed E&P company focused on Africa and Terrain Energy a private company with oil and gas interests onshore UK and Germany. Stephen was a founding shareholder and director of EnCounter Oil plc, which was acquired by Talon.

Director's Report

Interest in shares and options held as at date of this report:
Stephen Jenkins
15,000,000 Fully Paid Ordinary Shares (subject to 12 months voluntary escrow until 15 May 2020)
22,500,000 Performance Shares

Roger Steinepreis (Non-Executive Director, resigned 30 June 2019)
Mr Steinepreis is a lawyer and Chairman of Perth based firm, Steinepreis Paganin. He has practised as a lawyer for over 25 years, acting as legal adviser to a number of public companies on a wide range of corporate related matters. His areas of practice focus on company restructures, initial public offerings and takeovers.
Mr Steinepreis is currently a director of Latitude Consolidated Limited (November 2012 – current) and Apollo Consolidated Limited (August 2009 – current). In the last 3 years Roger was a director of Firestrike Resources Limited (March 2011 – April 2016).

Interest in shares and options held as at date of this report:
Ranchland Holdings Pty Ltd <RC Steinepreis Family A/C>
66,666,667 fully paid ordinary shares
12,500,000 options exercisable at $0.005 on or before 31 Dec 2020

Peter Love (Non-Executive Chairman, resigned 12 March 2019)

Mr Love is a Director of Overlay Capital, an investment and advisory firm. He is an advisor to Byron Energy Limited. He was Vice President of Operations for Maverick Drilling and Exploration Limited from 2008 to 2011. Prior to this, Peter was Assistant Fund Manager at ASX Listed company Trojan Equity Limited. Peter is also a former director of DMX Corporation Limited and holds a Bachelor of Arts (majoring in English and Political Science) from the University of Queensland.

Mr Love was Chairman of Intrepid Mines Limited until November 2015 to February 2018.

Interest in shares and options held as at date of this report:
Nil.

DIRECTORS' MEETINGS

The number of board meetings held during the year and for the period to the date of this Financial Report that each Director was entitled to attend and the number of meetings attended by each director was as follows:

	Directors' Meetings	
	Number eligible to attend	**Number attended**
Peter Stickland	3	3
Matt Worner	3	3
Graham Dorè[1]	2	2
Stephen Jenkins[2]	1	1
Roger Steinepreis[3]	2	2
Peter Love[4]	1	1

[1] Appointed 15 May 2019
[2] Appointed 7 June 2019
[3] Resigned 30 June 2019
[4] Resigned 12 March 2019

Director's Report

Remuneration Report (Audited)

This report details the nature and amount of remuneration for each key management person of Talon Petroleum Ltd, and for the executives receiving the highest remuneration.

Remuneration Policy

The remuneration policy of Talon Petroleum Ltd has been designed to align key management personnel objectives with shareholder and business objectives by providing a fixed remuneration component and offering specific long-term incentives based on key performance areas affecting the consolidated group's financial results. The Board of Talon Petroleum Ltd believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best key management personnel to run and manage the Group, as well as create goal congruence between directors, executives and shareholders.

Remuneration Report (continued)

The Board's policy for determining the nature and amount of remuneration for key management personnel of the Group is as follows:

a. Review and approve the Group's recruitment, retention and termination policies and procedures for senior executives to enable the Company to attract and retain executives and Directors who can create value for shareholders.

b. Review the on-going appropriateness and relevance of the executive remuneration policy and other executive benefit programs.

c. Ensure that remuneration policies fairly and responsibly reward executives having regard to the performance of the Company, the performance of the executive and prevailing remuneration expectations in the market.

The performance of key management personnel is measured against criteria agreed annually with each executive and is based predominantly on the forecast growth of the Group's profits and shareholders' value. All bonuses and incentives must be linked to predetermined performance criteria. The Board may, however, exercise its discretion in relation to approving incentives, bonuses and options. Any changes must be justified by reference to measurable performance criteria. The policy is designed to attract the highest calibre of executives and reward them for performance that results in long-term growth in shareholder wealth.

Key management personnel are also entitled to participate in the employee share and option arrangements.

All remuneration paid to key management personnel is valued at the cost to the Company and expensed. Shares given to key management personnel are valued as the difference between the market price of those shares and the amount paid by key management personnel. Options are valued using the Black-Scholes methodology.

Performance-based Remuneration

As part of each member of the key management personnel's remuneration package there is a performance-based component, consisting of key performance indicators (KPIs). The intention of this program is to facilitate goal congruence between key management personnel with that of the business and shareholders. The KPIs are set annually, with a certain level of consultation with key management personnel to ensure buy-in. The measures are specifically tailored to the areas each key management personnel are involved in and have a level of control over. The KPIs target areas the Board believes hold greater potential for group expansion and profit, covering financial and non-financial as well as short- and long-term goals. The level set for each KPI is based on budgeted figures for the group and respective industry standards.

Performance in relation to the KPIs is assessed annually, with bonuses being awarded depending on the number and deemed difficulty of the KPIs achieved. Following the assessment, the KPIs are reviewed by the Board in light of the desired and actual outcomes, and their efficiency is assessed in relation to the Group's goals and shareholder wealth, before the KPIs are set for the following year.

Director's Report

Company Performance, Shareholder Wealth and Director and Executive Remuneration

Key Management Personnel Remuneration Policy

The Board's policy for determining the nature and amount of remuneration of key management for the Group is as follows:

The remuneration structure for key management personnel is based on a number of factors, including length of service, particular experience of the individual concerned, and overall performance of the Company. The contracts for service between the Company and key management personnel are on a continuing basis, the terms of which are not expected to change in the immediate future.

NON-EXECUTIVE DIRECTOR REMUNERATION

The Board seeks to set aggregate remuneration for Non-Executive Directors at a level that gives the Company the ability to attract and retain directors of the highest calibre, whilst incurring a cost which is reasonable, competitive and acceptable to shareholders.

Maximum aggregate amount

Aggregate remuneration to non-executive directors approved by the shareholders at the annual general meeting on 30 May 2014 is not to exceed $300,000 per annum unless further approval is obtained.

The Directors agree the amount of remuneration for Non-Executive Directors each year (which cannot exceed the maximum amount determined by shareholders) and the manner in which it is divided between Directors. The Board's current practice is to apportion a higher fee to the Non-Executive Chairman than to the Non-Executive Directors.

The Board encourages Non-Executive Directors to hold shares in the Company (purchased by Directors on market). The Board considers it good governance for a Director to have a stake in the company in which they serve as a Board member.

COMPANY PERFORMANCE

	2019	2018	2017	2016	2015
Net loss after tax	($1,517,293)	($932,196)	($585,917)	($194,854)	($2,272,874)
Dividends paid or provided	Nil	Nil	Nil	Nil	Nil
Share price at end of year	$0.0025	$0.002	$0.007	$0.009	$0.009
Basic earnings per share (cents)	(0.09)	(0.09)	(0.21)	(0.1)	(1.0)
Return on capital employed	(65%)	(39%)	(22%)	(21%)	(178%)

Director's Report

Remuneration Report (continued)

Remuneration

The remuneration of Directors for the year ended 31 December 2019 is detailed in below.

ANNUAL FEES FOR DIRECTORS IN 2019

Director	Date of Letter of Appointment	1 Jan 2019 – 31 Mar 2019	1 April 2019 – 29 Feb 2020	1 March 2020 – Date of this report
Peter Stickland	1 October 2018	$30,000	$60,000	$30,000
Matt Worner	17 December 2018	$250,000	$250,000	$163,500
Graham Doré[1]	15 May 2019	N/A	$40,000	$20,000
Stephen Jenkins[2]	7 June 2019	N/A	$40,000	$20,000
Roger Steinepreis[3]	4 December 2017	$30,000	$40,000	N/A
Peter Love[4]	15 September 2014	$30,000	N/A	N/A

[1] Appointed 15 May 2019
[2] Appointed 7 June 2019
[3] Resigned 30 June 2019
[4] Resigned 12 March 2019

Remuneration may also be in the form of equity-based compensation. Any issue of equity instruments as remuneration is at the discretion of the board.

Superannuation and retirement benefits

Superannuation contributions are made on behalf of Non-Executive Directors in accordance with the Company's statutory superannuation obligations. Non-Executive Directors are not entitled to retirement benefits (other than mandatory statutory entitlements).

REMUNERATION FOR 2019

Remuneration of key management personnel of the Company for the year ended 31 December 2019:

	Short-term benefit						Post-employment benefits	
2019	Cash, salary and fees	Bonus	Others	Non-monetary benefits	Share based payments	Termination benefits	Superannuation	Total
Peter Stickland	52,500	-	-	-	-	-	-	52,500
Matt Worner	250,000	-	-	-	-	-	23,750	273,750
Graham Doré[1]	25,000	-	-	-	-	-	-	25,000
Stephen Jenkins[2]	22,667	-	-	-	-	-	-	22,667
Roger Steinepreis[3]	15,000	-	-	-	-	-	-	15,000
Peter Love[4]	6,250	-	-	-	-	-	-	6,250
Total Directors	**371,417**	**-**	**-**	**-**	**-**	**-**	**23,750**	**395,167**

[1] Appointed 15 May 2019
[2] Appointed 7 June 2019
[3] Resigned 30 June 2019
[4] Resigned 12 March 2019

Director's Report

REMUNERATION FOR 2018

2018	Short-term benefit: Cash, salary & fees	Bonus	Others	Non-monetary benefits	Share based payments	Termination benefits	Post-employment benefits: Superannuation	Total
Peter Love[1]	30,000	-	-	-	-	-	-	30,000
Matt Worner	109,328	25,000[5]	-	-	-	-	4,354	138,682
Roger Steinepreis[2]	30,995	-	-	-	-	-	-	30,995
Peter Stickland[3]	7,500	-	-	-	-	-	-	7,500
Troy Harry[4]	7,982	-	-	-	-	-	-	7,982
Total Directors	**185,805**	**25,000**	**-**	**-**	**-**	**-**	**4,354**	**215,159**

[1] Resigned 12 March 2019
[2] Resigned 30 June 2019
[3] Appointed 1 October 2018
[4] Resigned 24 May 2018
[5] Sign on bonus received as part of executive services agreement

OPTION AND SHARE HOLDINGS OF KEY MANAGEMENT PERSONNEL

Unlisted Options

As at year end, the relevant beneficial interest of each Director in unlisted options over ordinary share capital of the Company shown in the register of Directors' unlisted option holdings are as follows:

Directors' and Senior Executives interests in options

	Year	Options held at 1 January	Issued during the year	Excised, expired or forfeited during the year	Options held at 31 December 2019	% vested and exercisable at 31 December 2019
Directors						
Peter Stickland	2019	-	-	-	-	-
	2018	-	-	-	-	-
Matthew Worner	2019	30,000,000	-	-	30,000,000	100%
	2018	30,000,000	-	-	30,000,000	100%
Graham Doré[1]	2019	-	-	-	-	-
	2018	-	-	-	-	-
Stephen Jenkins[2]	2019	-	-	-	-	-
	2018	-	-	-	-	-
Peter Love[3]	2019	-	-	-	-	-
	2018	-	-	-	-	-
Roger Steinepreis[4]	2019	12,500,000	-	-	12,500,000	100%
	2018	12,500,000	-	-	12,500,000	100%

[1] Appointed 15 May 2019, [2] Appointed 7 June 2019, [3] Resigned 12 March 2019, [4] Resigned 30 June 2019

Director's Report

ORDINARY SHARES

As at the year end, the relevant beneficial interest of each Director in the ordinary share capital of the Company shown in the register of Directors' shareholdings is as follows:

Directors' and Senior Executives interests in shares

	Year	Shares held at 1 January	Net acquisitions and disposals during the year	Received on exercise of options	Other changes during the year	Shares held at 31 December
Directors						
Peter Stickland	2019	-	-	-	10,000,000	10,000,000
	2018	-	-	-	-	-
Matt Worner	2019	-	-	-	1,533,333	1,533,333
	2018	-	-	-	-	-
Graham Dorè	2019	-	22,000,000	-	-	22,000,000
	2018	-	-	-	-	-
Steven Jenkins	2019	-	15,000,000	-	-	15,000,000
	2018	-	-	-	-	-
Roger Steinepreis	2019	66,666,667	-	-	-	66,666,667[1]
	2018	66,666,667	-	-	-	66,666,667
Peter Love	2019	14,253,382	(14,253,382)	-	-	Nil[2]
	2018	27,253,382	(13,000,000)	-	-	14,243,382

[1] Total holding as at resignation date of 30 June 2019, [2] Total holding as at resignation date of 12 March 2019

PERFORMANCE SHARES

As at the year end, the relevant beneficial interest of each Director in the performance share capital of the Company shown in the register of Directors' shareholdings is as follows:

Directors' and Senior Executives interests in shares

	Year	Shares held at 1 January	Net acquisitions and disposals during the year	Received on exercise of options	Other changes during the year	Shares held at 31 December
Directors						
Peter Stickland	2019	-	-	-	-	-
	2018	-	-	-	-	-
Matt Worner	2019	-	-	-	-	-
	2018	-	-	-	-	-
Graham Dorè	2019	-	108,000,000	-	-	108,000,000
	2018	-	-	-	-	-
Steven Jenkins	2019	-	22,500,000	-	-	22,500,000
	2018	-	-	-	-	-
Roger Steinepreis	2019	-	-	-	-	-
	2018	-	-	-	-	-
Peter Love	2019	-	-	-	-	-
	2018	-	-	-	-	-

[1] Appointed 15 May 2019, [2] Appointed 7 June 2019

Director's Report

Transactions with Director related entities

Directors and officers, or their personally related entities, hold positions in other entities that result in them having controls or significant influence over the financial or operating policies of those entities.

Entity	Relationship	Nature of transactions	Transactions 2019 $	Transactions 2018 $	Balances 2019 $	Balances 2018 $
Overlay Capital Pty Ltd	(i)	Reimbursement to Overlay Capital for corporate travel costs	313	1,308	-	-
Steinepreis Paganin	(ii)	Charges from Steinepreis Paganin for corporate legal costs	25,100	2,999	-	-
Geoscience Services Limited	(iii)	Reimbursement for corporate administrative and travel costs	157,500	-	-	-
Springhead Petroleum Pty Ltd	(iv)	Reimbursement for corporate travel costs	6,244	-	-	-
Graham Dorè	(v)	Loan repayment	2,423	-	-	-
Stephen Jenkins	(v)	Loan repayment	1,652	-	-	-

(i) Overlay Capital Pty Ltd is a company associated with Peter Love who was a Director of the Company, up until his resignation on 12 March 2019
(ii) Steinepreis Paganin is a company associated with Roger Steinepreis who was a Director of the Company, up until his resignation on 30 June 2019
(iii) Geoscience Services Limited is a company associated with Graham Dorè who is currently a director of the Company
(iv) Springhead Petroleum Pty Ltd is a company associate with Peter Stickland who is currently a director of the Company
(v) Graham Dorè and Stephen Jenkins are current Directors of the Company, each with an historic loan held under the Company's newly acquired subsidiary, EnCounter Oil Ltd, being cleared in October 2019.

This is the end of the Remuneration Report

AUDITOR

BDO Audit WA PTY Ltd has been appointed auditor of the Company in accordance with section 327 of the *Corporations Act 2001*.

NON-AUDIT SERVICES

During the 2019-year BDO, the Company's auditor did not perform any other services in addition to their statutory duties.

AUDITOR'S INDEPENDENCE DECLARATION

The Lead Auditor's Independence Declaration as required under section 307C of the Corporations Act is set out on page 23 of this Annual Report and forms part of the Directors' Report for the year ended 31 December 2019.

Made and signed in accordance with a resolution of Directors.

Peter Stickland
Non-Executive Chairman

Signed at Melbourne on 31st day of March 2020

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Australia

DECLARATION OF INDEPENDENCE BY DEAN JUST TO THE DIRECTORS OF TALON PETROLEUM LIMITED

As lead auditor of Talon Petroleum Limited for the year ended 31 December 2019, 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 audit; and
2. No contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Talon Petroleum Limited and the entities it controlled during the period.

Dean Just

Director

BDO Audit (WA) Pty Ltd

Perth, 31 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Revenue	*4*	50,898	130,022
Cost of oil and gas sold	*5a)*	(20,403)	(61,384)
Net margin on sale of oil and gas		30,495	68,638
Other income	*5b)*	37,009	20,909
Employee benefits		(72,705)	(64,639)
Professional and consultancy fees		(221,656)	(181,999)
Marketing and travel expenses		(192,552)	(86,904)
Corporate expenses		(36,444)	(29,935)
Directors' fees	*5c)*	(395,167)	(215,158)
Share based payment expense		-	(9,750)
Administrative expenses		(96,384)	(92,221)
Exploration expenditure		(428,232)	(48,124)
Impairment expense	*8b)*	(207,543)	(123,589)
Depletion		(27,821)	(48,818)
Other expenses		(53,528)	(13,673)
Gain/(loss) on sale of exploration asset		149,863	(106,961)
Finance costs		(2,628)	28
(Loss) before income tax		(1,517,293)	(932,196)
Income tax expense	*6*	-	-
Loss after income tax		**(1,517,293)**	**(932,196)**
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign exchange translation differences, net of tax		(1,367)	271
Other comprehensive income/(loss) (net of tax) for the year		**(1,367)**	**271**
Total comprehensive (loss) attributable to owners of the company		**(1,518,660)**	**(931,925)**
Basic earnings per share(cents)	*15*	**(0.09)**	**(0.09)**
Diluted earnings per share (cents)	*15*	**(0.09)**	**(0.09)**

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

Consolidated Statement of Financial Position

As at 31 December 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Assets			
Current Assets			
Cash and cash equivalents	7	1,850,954	2,158,297
Trade and other receivables		81,103	10,064
Prepayments		17,990	38,183
Security deposit		71,292	-
Assets held for sale	9	35,646	-
Total Current Assets		**2,056,985**	**2,206,544**
Non-Current Assets			
Security deposit		-	70,883
Oil and gas properties	8	-	283,105
Exploration and evaluation asset	19	341,137	-
Total Non-Current Assets		**341,137**	**353,988**
Total Assets		**2,398,122**	**2,560,532**
Liabilities			
Current Liabilities			
Trade and other payables	10	138,107	125,498
Provisions	11a	29,066	21,265
Liabilities held for sale	9	207,275	-
Total Current Liabilities		**374,448**	**146,763**
Non-Current Liabilities			
Provisions	11b	-	327,889
Total Non-Current Liabilities		**-**	**327,889**
Total Liabilities		**374,448**	**474,652**
Net Assets		**2,023,674**	**2,085,880**
Contributed Equity			
Issued share capital	12	38,183,402	36,726,948
Reserves	13	2,857,516	2,858,883
Accumulated losses		(39,017,244)	(37,499,951)
Total Equity		**2,023,674**	**2,085,880**

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

2019	Issued share capital $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total Equity $
Balance as at 1 January 2019	**36,726,948**	**200,355**	**2,658,528**	**(37,499,951)**	**2,085,880**
Total comprehensive loss for the period					
Loss after income tax expense for the year	-	-	-	(1,517,293)	(1,517,293)
Foreign exchange translation differences	-	-	(1,367)	-	(1,367)
Total comprehensive loss for the year	**-**	**-**	**(1,367)**	**(1,517,293)**	**(1,518,660)**
Transaction with owners, recorded directly in equity					
Issue of shares, net of transaction costs	1,456,662	-	-	-	1,456,662
Share based payment	(208)	-	-	-	(208)
Balance as at 31 December 2019	**38,183,402**	**200,355**	**2,657,161**	**(39,017,244)**	**2,023,674**

2018	Issued share capital $	Share based payment reserve $	Foreign currency translation reserve $	Accumulated losses $	Total Equity $
Balance as at 1 January 2018	**36,052,675**	**190,605**	**2,658,257**	**(36,567,755)**	**2,333,782**
Total comprehensive loss for the period					
Loss after income tax expense for the year	-	-	-	(932,196)	(932,196)
Foreign exchange translation differences	-	-	271	-	271
Total comprehensive loss for the year	-	-	**271**	**(932,196)**	**(931,925)**
Transaction with owners, recorded directly in equity					
Issue of shares, net of transaction costs	674,273	-	-	-	674,273
Options issued	-	9,750	-	-	9,750
Balance as at 31 December 2018	**36,726,948**	**200,355**	**2,658,528**	**(37,499,951)**	**2,085,880**

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Notes	Consolidated 2019 $	Consolidated 2018 $
Cash flows from operating activities			
Cash receipts from customers		44,155	138,358
Payments to suppliers and employees		(1,171,539)	(933,946)
Payments for exploration and evaluation expenditure		(378,847)	-
Interest received		37,015	20,491
Interest Paid		-	(25,105)
Net cash (used in) operating activities	23	**(1,469,216)**	**(800,202)**
Cash flows from investing activities			
Proceeds from sale of exploration lease		32,443	-
Share capital payment for UK subsidiary		-	(3)
Net cash from / (used in) investing activities		**32,443**	**(3)**
Cash flows from financing activities			
Proceeds from the issuance of shares		1,250,000	720,000
Share issue costs		(93,338)	(45,727)
Repayment of borrowings		-	(275,000)
Unclaimed small lot process funds		(208)	-
Net cash from financing activities		**1,156,454**	**399,273**
Net (decrease)/increase in cash and cash equivalents		**(280,319)**	**(400,932)**
Cash and cash equivalents at the beginning of period		2,158,297	2,563,685
Effects of exchange rate changes on the balances held in foreign currencies		(27,024)	(4,456)
Cash and cash equivalents at the end of the financial year	7	**1,850,954**	**2,158,297**

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

Notes to the Consolidated Financial Statements

Contents of the Notes to the Consolidated Financial Statements

Notes to the Consolidated Financial Statements

1. CORPORATE INFORMATION

Talon Petroleum Limited (the "Company" or "Talon") is a company incorporated and domiciled in Australia whose shares are publicly listed on the ASX (ASX code: TPD). The Company's registered office is at 1202 Hay Street, West Perth, WA 6005. The consolidated financial statements of the Company as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the "Group"). The Group is a for-profit entity whose principal activity during the financial year was to identify and capture new assets in the UK North Sea.

2. SIGNIFICANT ACCOUNTING POLICIES

a) Statement of compliance

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations *Act 2001*. The consolidated financial statements of the Group comply with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board.

The consolidated financial statements were authorised for issue by the Board of Directors on 31 March 2020.

b) Basis of preparation

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The preparation of the financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the consolidated group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 3.

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 $1,517,293 (2018: $932,196) for the year ended 31 December 2019 and had cash and cash equivalents of $1,850,954 (2018: $2,158,297) as at that date, with net cash outflows from operations of $1,469,216 (2018: $800,202) for the year.

Management has prepared cash flow projections that support the ability of the Group to continue as a going concern. These cashflow projections assume the Group maintains its expenditure in line with available funding to enable it to continue as a going concern and pay its debts as and when they fall due.

c) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has both power and rights or exposure to variable returns. Power is the current ability to direct the activities that significantly influence returns. Returns must vary and can be positive, negative or both. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are carried at their cost of acquisition in the Company's financial statements.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

Joint arrangements

A joint arrangement is an arrangement of which two or more parties have joint control. Joint arrangements are either classified as a joint operation or a joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which only exists when decisions about the relevant activities require the unanimous consent of the parties sharing control. Classification of a joint arrangement as a joint operation or a joint venture depends upon the rights and obligations of the parties to the arrangement. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the arrangement.

The Company applies judgement when assessing whether a joint arrangement is a joint operation or a joint venture. These judgements take into consideration the rights and obligations provided for by the structure and legal form of the arrangement, the terms agreed to by the parties in the contractual agreement, and, when relevant, other facts and circumstances. These judgements are reassessed and re-evaluated as facts and circumstances change regarding the joint arrangement.

For joint arrangements classified as joint operations, the Company recognises in its financial statements, its proportionate interest in:

- its assets, including its share of any assets held jointly;
- its liabilities, including its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its expenses, including its share of any expenses incurred jointly.

For joint arrangements classified as joint ventures, the Company recognises its interest in the joint venture as an investment and accounts for that investment using equity method accounting as prescribed in AASB 11 Joint Arrangements unless the Company is exempted by a specific exemption according to that Standard.

d) Trade and other receivables

Trade and other receivables are initially measured at fair value and subsequently measured at amortised cost less the provision for impairment. The Group will apply the simplified impairment methodology permitted by AASB 9, which requires expected lifetime losses to be recognised from initial recognition of the receivable trade receivables are generally due for settlement within 60 days from the date of sale. Other receivables are generally settled within 30 days.

e) Exploration and evaluation expenditure

Exploration and evaluation costs are written off in the year they are incurred apart from acquisition costs which are carried forward where right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest or, where exploration and evaluation activities in the area of interest have not reached a stage that permits reasonable assessment of the existence of economically recoverable reserves.

Where an area of interest is abandoned or the directors decide that it is not commercial, any accumulated acquisition costs in respect of that area are written off in the financial period the decision is made. Each area of interest is also reviewed at the end of each accounting period and accumulated costs written off to the extent that they will not be recoverable in the future.

f) Impairment

Financial assets

A financial asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics. AASB 9's new forward looking impairment model applies to investments at amortised cost.

All impairment losses are recognised in profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss and are allocated to reduce the carrying amount of the assets in the unit on a pro rata basis.

An impairment loss may be reversed in a future period if there has been a change in the estimates used to determine the recoverable amount. The amount of impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

g) Employee benefits

Short term obligations

Liabilities for employee benefits for wages and salaries, including non-monetary benefits, annual and personal leave that are expected to be settled within 12 months of the reporting date represent short term obligations resulting from employees' services provided to balance sheet date, calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at balance sheet date, including related on-costs. Obligations for annual and personal leave are represented as provisions in current liabilities. All other short-term employee benefit obligations are presented with current payables.

Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the statement of comprehensive income as incurred.

Long term incentives

The fair value of options granted is recognised as an expense with a corresponding increase in equity (share-based payment reserve). The fair value is measured at grant date and spread over the period during which the employees and vendors become unconditionally entitled to the options. The fair value of the options granted is measured using a valuation technique, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to market-related conditions.

h) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the taxation authority. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group. Judgements and estimates which are material to the financial report are found at the following notes:

a) **Income Taxes** (refer note 6).

b) **Provisions** (refer note 11).

c) **Asset Acquisition** (refer note 19).

d) **Share Based Payments** (refer note 27).

4. REVENUE

Sale of oil and gas

All revenue is generated from oil sales. Revenue from the sale of produced hydrocarbons is recognised when or as the Group transfers control of goods or services to a customer and can be measured reliably at the amount to which the Group expects to be entitled. Delivery of gas is by pipeline and sales contracts define the point of transfer in ownership.

Other income

Other income includes the net gain from the disposal of non-current assets. Proceeds from the disposal of non-current assets are recognised at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed. The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal (including incidental costs).

Revenue	Consolidated 2019 $	Consolidated 2018 $
Oil sales	47,785	127,249
Gas sales	3,113	2,773
	50,898	**130,022**

5. EXPENSES

	Consolidated 2019 $	Consolidated 2018 $
a) Cost of oil and gas sold		
Production taxes	2,319	6,047
Lease operating expenses, processing and transportation	18,084	55,337
	20,403	**61,384**
b) Other income		
Interest income	37,009	20,491
Other income	-	418
	37,009	**20,909**
c) Directors' fees		
Directors fee	371,417	210,804
Superannuation contribution	23,750	4,354
	395,167	**215,158**

6. INCOME TAX BENEFIT

Income tax expense comprises current and deferred tax. Income tax expense is recognised in the statement of comprehensive income except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit/loss, and differences relating to investments in subsidiaries to the extent that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Additional income taxes that arise from the distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

Notes to the Consolidated Financial Statements

	Consolidated 2019 $	Consolidated 2018 $
The prima facie tax on profit /(loss) from continuing operations and discontinued operations before income tax is reconciled to the income tax as follows:		
(Loss) before tax	(1,517,293)	(932,196)
Prima facie tax payable on (loss) from continuing operations and discontinued operations before income tax at 27.5% (2018:27.5%)	(417,256)	(256,354)
Add:		
Tax effect of:		
Other non-allowable items	45,405	68,094
Difference in tax rates	40,394	21,046
Less:		
Tax effect of:		
Non-assessable items		
DTA not recognised (losses)	341,289	297,278
DTA not recognised (temporary)	(9,832)	(32,127)
Income tax expense/(benefit)	-	-

Analysis of Deferred Tax Assets

No deferred tax assets have been recognised as yet, other than to offset deferred tax liabilities, as it is currently not probable that future taxable profit will be available to realise the asset. Potential deferred tax assets on carry forward losses amount to $8,752,968 (2018: $11,168,604).

7. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand, deposits on call with financial institutions, and other short term, highly liquid investments.

	Consolidated 2019 $	Consolidated 2018 $
Cash at bank	381,719	203,237
Term deposit	1,469,235	1,955,060
	1,850,954	**2,158,297**

Refer to note 7 for details on management of financial risk.

8. OIL AND GAS PROPERTIES

The Group's oil and gas properties include capitalised costs of past exploration and evaluation, past development, and the ongoing costs of continuing to develop reserves for production. These costs include construction, installation or completion of infrastructure facilities such as pipelines and platforms, transferred exploration and evaluation costs, costs of direct labour, costs of dismantling and removing the items and restoration of the site on which they are located, the cost of development wells and any other costs directly attributable to bringing the asset to a working condition for its intended use. Site restoration costs are capitalised within the cost of the associated asset and the provision is included in liabilities on the balance sheet.

Oil and gas properties are subject to a depletion charge from the time production commences on a unit-of-production basis using estimated reserves that are forecast to be produced over the economic life of the property. A proved and probable reserves basis is used over the calculation of the unit-for-production method of depreciation. The carrying value of the properties is evaluated in comparison to future estimated recoverable reserves. When a determination is made that the capitalised costs exceed the expected recoupment, the property is impaired or written off.

Notes to the Consolidated Financial Statements

The Group has an independent third party prepare estimates of reserves using data provided that includes but is not limited to well logs, geologic maps, seismic data, test data and production data, historical price and cost information, and property ownership interests. The independent reserves estimate is prepared according to generally accepted petroleum engineering and evaluation principles set forth in the Standards Pertaining to the Estimating and Auditing of Oil and Gas Reserves information promulgated by the SPE (SPE Standards).

The methods used to classify, categorize, and estimate reserves are in accordance with the definitions and guidelines of the 2007 Petroleum Resources Management System (PRMS).

a) Reconciliation of movement in oil and gas properties

Oil and gas properties	Consolidated 2019 $	Consolidated 2018 $
Cost		
Balance at beginning of period	2,162,616	2,116,477
Impairment expense (note 8b)	(207,543)	(123,589)
Fair value adjustment	(1,955,073)	-
Foreign exchange translation	-	169,728
Balance at 31 December	**-**	**2,162,616**
Accumulated depletion		
Balance at beginning of period	(1,879,511)	(1,695,164)
Fair value adjustment	1,898,220	-
Depletion expense	(27,821)	(48,819)
Foreign exchange translation	9,112	(135,528)
Balance at 31 December	**-**	**(1,879,511)**
Carrying amounts		
Balance at beginning of period	283,105	421,313
Balance at 31 December	**-**	**283,105**

31 December 2019

During the financial year ended 31 December 2019 the Group had entered into assignment agreements to dispose of its oil and gas interests located in onshore Texas, USA. The Company completed assignment of its Hoskins #1 well and its associated leases to settle a potential dispute with the land owner of these leases; any obligations to abandon the Hoskins #1 well and its associated facilities were also assigned to the land owner. In addition the Company completed its disposal of its Teal lease for a consideration of USD$20,000.

Total consideration for disposal of the remaining US interests amounted to USD$55,000, of which USD$25,000 is receivable from Wandoo Energy LLC, due to be received in the coming months. This has currently been recognized as an asset held for sale (refer note 9).

31 December 2018

The Company evaluated the carrying values of oil and gas properties in comparison with their estimated recoverable amounts based on proved and probable (2P) reserves estimates prepared by independent third-party reserve engineers and determined no impairment indicators were present. There was a net impairment expense of $123,589 during the year.

The reserve valuation of oil and gas assets at 31 December 2018 of $283,105 is based on value in use calculated using a discounted cash flow model with a 20% pre-tax discount rate.

Key assumptions with estimation uncertainty in the determination of the recoverable amount include: oil prices, discount rate, 2P reserves, operating costs and capital expenditure.

b) Impairment

31 December 2019

During the year the Company assessed the carrying value of its oil and gas assets, and following its decision to dispose of the assets during the first half of the year, the Company recognised a provision for impairment of $207,543 to revalue the asset to its fair value and reclassify as a held for sale asset until such time that the disposal completes.

31 December 2018

Net impairment expense recognised related to an impairment expense on the Wheeler #1 asset of US$130,255 and a reversal on the Quintanilla asset of US$37,837 based on assessment of the individual cash flows, resulting in a net impairment expense of US$92,418 ($123,589).

Estimates of the recoverable amount is based on an asset's fair value less costs to sell using a discounted cash flow method and is most sensitive to the following key assumptions:

- Discount rate of 20% pre-tax
- Commodity prices based on NYMEX West Texas Intermediate prices and NYMEX Henry Hub process, adjusted for quality, transportation fees and market differentials
- Average Oil prices/barrel of between US$48.65-US$54.50
- Average Gas prices/mmbtu of between US$2.874-US$3.476
- P2 recoverable reserves

Economical recoverable reserves represent management's expectations at the time of completing the impairment testing and based on the reserves statements undertaken by appropriately qualified persons. A summary of the reserves are presented in the operations review.

Operating costs used are based on operating expense records of Texoz including well overhead expenses allowed under joint operating agreements along with estimates of costs to be incurred at and below the district and field levels. Operating cost have been divided into per-well costs and per-unit-of-production costs.
Capital costs used were based authorisations for expenditure and actual costs from recent activity and included as required for workovers and production equipment.

c) Interest in Joint arrangements

In accordance with normal industry practice the Group has entered into joint operations arrangements with other parties for the purpose of exploring for and developing petroleum interests. If a party to a joint operation defaults and does not contribute its share of joint operation obligations, then the other joint operation participants may be liable to meet those obligations. In this event the interest in the prospect held by the defaulting party may be redistributed to the remaining joint participants.

At 31 December 2019 the Group entered into assignment agreements to dispose of its US interests held. As at the date of this report the interests held in Wheeler, Olmos and Quintanilla were completing.

Operating Agreement	Location	Purpose	Talon Relationship	Working Interest 31-Dec-19	Working Interest 31-Dec-18
Texoz - Wandoo (Wheeler #1, Hoskins #1, Hoskins #2)	McMullen County, TX	Operation & Production	Operator	-	95%
Texoz – O'Brien (Brice Bonner #1)	Navarro County, TX	Operation & Production	Non-operator	-	1%
Texoz, et al (Olmos – Quintanilla OL 1H)	McMullen County, TX	Operation & Production	Operator	-	10%

9. ASSETS AND LIABILITIES HELD FOR SALE

	Consolidated 2019 $	Consolidated 2018 $
Assets classified as held for sale		
Oil and gas properties – carrying value (refer note 8)	**35,646**	-
Liabilities classified as held for sale		
Oil and gas properties – restoration provision (refer note 11)	**207,275**	-

During the year the Company entered into an assignment arrangement for its interests held in Wheeler, Quintanilla and Olmos for consideration of USD$35,000. During the year an initial instalment of USD$10,000 was received, with further balance of USD$25,000 due to be received in the coming months.

10. TRADE AND OTHER PAYABLES

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of the reporting period which are unpaid as at the balance sheet date. They are initially recognised at fair value and subsequently measured at amortised cost.

	Consolidated 2019 $	Consolidated 2018 $
Current		
Trade payable	111,680	36,854
Accruals	18,872	69,344
Other payables	7,555	19,300
	138,107	**125,498**

Refer to note 16 for details on management of financial risk.

11. PROVISIONS

The Group records the present value of the estimated cost of legal and constructive obligations to restore operating locations in the period in which the obligation arises. The nature of restoration activities includes the removal of facilities, abandonment of wells and restoration of affected areas.

Typically, the obligation arises when the asset is installed at the production location. When the liability is initially recorded, the estimated cost is capitalised by increasing the carrying amount of the related oil and gas properties. Over time, the liability is increased for the change in the present value based on a risk-free pre-tax discount rate. The unwinding of the discount is recorded as an accretion charge within finance expense. The carrying amount capitalised in oil and gas properties is depreciated over the useful life of the related asset.
Costs incurred that relate to an existing condition caused by past operations, and do not have future economic benefit, are expensed.

Notes to the Consolidated Financial Statements

	Consolidated 2019 $	Consolidated 2018 $
a) Current		
Restoration provision		
Balance at beginning of year	21,265	70,513
Provisions (reversed) during the year	-	(53,491)
Transfer to liabilities held for sale	(20,963)	-
Foreign exchange translation	(302)	4,243
Balance at 31 December	**-**	**21,265**
Annual leave provision		
Balance at beginning of year	-	-
Provisions during the period	135	-
Balance at end of period	**135**	**-**
Other provisions		
Balance at beginning of year	**-**	**-**
Provisions during the period	28,187	**-**
Foreign exchange translation	744	**-**
Balance at end of period	**28,931**	**-**
Total current provision	**29,066**	**-**
b) Non-current		
Restoration provision		
Balance at beginning of year	327,889	296,526
Provisions (reversed) during the year	(145,099)	
Transfer to liability held for sale	(186,312)	-
Foreign exchange translation	3,522	31,363
Balance at 31 December	**-**	**327,889**

Following the disposal of the US assets, the associated liabilities and obligations were also assigned to the assignee and all restoration provisions relating to assignment to Wandoo Energy LLC were reclassified as a held for sale liability (refer note 9).

Other provisions include, an estimated amount of £16,000 in respect of potential future costs associated with a UKCS licence that was relinquished under the Company's newly acquired subsidiary, EnCounter Oil Limited. The Directors have based their assessment of this provision on the most probable outcome.

12. SHARE CAPITAL

	Consolidated 2019 Number	Consolidated 2018 Number	Consolidated 2019 $	Consolidated 2018 $
Ordinary shares on issue, fully paid	**1,776,789,525**	**1,260,122,858**	**38,183,402**	**36,726,948**

Movements in ordinary share capital

Date	Details	Number of shares	Issue price	$
1 Jan 2019	**Opening balance**	**1,260,122,858**		**36,726,948**
18 Mar 2019	Placement to professional and sophisticated investors[1]	416,666,667	0.003	1,250,000
7 May 2019	Repayment of unmarketable small lot fund[2]	-	-	(208)
15 May 2019	Share issued to vendor[3]	100,000,000	0.003	300,000
	Less: Costs of issue	-	-	(93,338)
31 Dec 2019	**Closing balance**	**1,776,789,525**		**38,183,402**

[1] On 18 March 2019 the Company issued 416,666,667 ordinary shares at $0.003 per share through a placement to professional and sophisticated investor

[2] On 7 May 2019 the Company repaid $208 of unclaimed monies in connection with the small lot process which was completed in May 2015; the unclaimed money was repaid to the holder in accordance with its constitution.

[3] On 15 May 2019 the Company issued 100,000,000 ordinary shares at $0.003 per share to the vendor of EnCounter oil Limited (refer note 19).

Date	Details	Number of shares	Issue price	$
31 Dec 2018	**Balance at beginning of year**	**1,020,122,858**		**36,052,675**
	Placement to professional and sophisticated investors – 5 Nov 2018[1]	240,000,000	0.003	720,000
	Less: Costs of issue			(45,727)
	Balance at 31 December 2018	**1,260,122,858**		**36,726,948**

[1] On 5 November 2018 the Company issued 240m ordinary shares at $0.003 per share through a placement to professional and sophisticated investors.

Ordinary shares

Issued and paid up capital is recognised at the fair value of the consideration received by the Group. Any transaction costs arising on the issue of ordinary shares are recognised directly in equity as a reduction of the proceeds received.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

Notes to the Consolidated Financial Statements

13. RESERVES

a) Share option reserve

	Consolidated 2019 $	Consolidated 2018 $
Opening balance at the beginning of the year	200,355	190,605
Share options reserve movement during the year	-	9,750
Total share option reserve	**200,355**	**200,355**

b) Foreign currency translation reserve

Functional and presentation currency

Items included in the financial statements of each subsidiary within the Group are measured using the currency of the primary economic environment in which the entity operated (the "functional currency"). The consolidated financial statements are presented in Australian dollars, the functional currency of Talon Petroleum Limited.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of the Group's subsidiaries at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the statement of comprehensive income. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to the functional currency at foreign exchange rates ruling at the date the fair value was determined.

Financial statements of foreign operations

The assets and liabilities of foreign operations are translated to Australian Dollars at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Australian Dollars at rates approximating the foreign exchange rates ruling at the dates of the transactions. Foreign currency differences are recognised directly in equity in the translation reserve. When a foreign operation is disposed of, the relevant amount in the translation reserve is transferred to profit or loss.

Net investment in foreign operations

Exchange differences arising from the translation of the net investment in foreign operations are taken to the translation reserve. They are released into the statement of comprehensive income upon disposal.

	Consolidated 2019 $	Consolidated 2018 $
Opening balance at the beginning of the year	2,658,528	2,658,257
Currency translation differences arising during the year	(1,367)	271
Total foreign currency translation reserve	**2,657,161**	**2,658,528**

The foreign currency translation reserve comprised all foreign exchange differences arising from the translation of the financial statements of foreign operations where their functional currency is different to the presentation currency of the reporting entity. Talon has four US based subsidiaries and two UK based subsidiaries (note 18) for which the functional currency is the US dollar and British pounds respectively. Translation into the presentation currency of Australian dollars creates a translation difference that is adjusted to the foreign currency reserve.

Total reserves	**2,857,516**	**2,858,883**

14. DIVIDENDS

No dividends have been declared, provided for or paid in 2019 (2018: nil). In respect to the payment of dividends by the Company in subsequent reporting periods (if any), no franking credits are currently available.

15. EARNINGS PER SHARE

Basic

Basic earnings per share is determined by dividing the profit attributable to equity holders of the Company excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year.

Diluted

Diluted earnings per share adjusts the amounts used in determination of basic earnings per share by taking into account amounts unpaid on ordinary shares and any reduction in earnings per share that may arise from the exercise of options outstanding during the financial year. As the Group incurred a net loss in the current and prior year, no options have been included in the calculation of diluted earnings per share.

	Consolidated 2019 $	Consolidated 2018 $
Basic earnings per share (cents)	(0.09)	(0.09)
Diluted earnings per share (cents)	(0.09)	(0.09)
Reconciliations of earnings to profit or loss		
Loss used in the calculation of basic and diluted earnings per share	(1,517,293)	(932,196)

	Number	Number
Weighted average number of ordinary shares and potential ordinary shares		
Weighted average number of ordinary shares and potential ordinary shares used in calculating basic and diluted EPS	1,652,980,001	1,057,045,935

16. FINANCIAL INSTRUMENTS

a) Financial Risk Management

The group's financial instruments consist mainly of cash at bank, payables and receivables.

The group has not formulated any specific management objectives and policies in respect to debt financing, derivatives or hedging activity. As a result, the group has not formulated any specific management objectives and policies in respect to these types of financial instruments. Should the group change its position in the future, a considered summary of these policies will be disclosed at that time.

The Group's current exposure to the risk of changes in the market is managed by the Board of Directors.

Market risks

The Group is exposed to a variety of financial risks through its financial instruments for example, interest rate risk, liquidity risk and credit risk, as well as foreign currency risk.

Interest rate risk

At reporting date, the Group does not have long term borrowings and its exposure to interest rate risk is assessed as low. The risk monitors its interest rate risk through sensitivity analysis, as outlined below.

The consolidated group's exposure to interest rate risk which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets of the group are summarised in the following tables:

Notes to the Consolidated Financial Statements

	Floating interest rate	1 Year or less	Over 1 to 5 years	Non-interest bearing	Remaining contractual maturities	Weighted average interest rate
31 December 2019	$	$	$	$	$	%
Financial assets						
Cash and cash equivalents	1,850,954	1,850,954	-	-	1,850,954	**2.00%**
Other receivables	-	-	-	81,103	81,103	
	1,850,954	**1,850,954**	**-**	**81,103**	**1,932,057**	
Financial liabilities						
Other payables and sundry accruals	-	-	-	138,107	138,107	
	-	**-**	**-**	**138,107**	**138,107**	
31 December 2018						
Financial assets						
Cash and cash equivalents	2,158,297	2,158,297	-	-	2,158,279	**0.95%**
Other receivables	-	-	-	10,064	10,064	-
	2,158,297	**2,158,297**	**-**	**10,064**	**2,168,361**	
Financial liabilities						
Other payables and sundry accruals	-	-	-	125,498	125,498	-
	-	**-**	**-**	**125,498**	**125,498**	

At 31 December 2019, if interest rates had changed by -/+100 basis points from the year-end rates with all other variables held constant, post-tax profit for the year would have been $18,510 lower/higher (2018: $21,583).

Liquidity risk

Liquidity risk is the risk that the group will not be able to meet its financial obligations as they fall due. The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient cash to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation. The group monitors forecast cash flows on regular basis to manage its liquidity risk.

Credit risk

Management has assessed the credit risk exposure as minimal at reporting date. Credit risk arises from exposure to customers and deposits with banks. Management monitors its exposure to ensure recovery and repayment of outstanding amounts. Cash deposits are only made with reputable banking institutions.

Foreign currency risk

The group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the USD ($) and GBP (£).

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is measured using cash flow forecasting.

The consolidated entity has not entered into any derivative financial instruments to hedge such transactions and anticipated future receipts or payments that are denominated in a foreign currency. The board manages the purchase of foreign currency to meet operational requirements.

The consolidate entity's exposure to foreign currency risk at the reporting date was as follows:

	2019	2018
Trade payables in denomination currency		
Trade payables – USD (USD$)	3,502	38,611
Trade payables – GBP (£)	50,582	-
Cash and cash equivalents held in denomination currency		
Cash and cash equivalents – (USD$)	55,687	50,131
Consolidated entity sensitivity		
Exchange rates per AUD as at 31 December		
GBP (£)	0.5319	0.5539
USD ($)	0.7013	0.7054

A 10% increase or decrease in value of Australia dollar against the above currencies at 31 December would have an immaterial effect.

b) Fair value measurement of financial instruments

As at the date of this report there were no financial instruments that were measured at fair value.

17. FAIR VALUE MEASUREMENT

Some of the Group's accounting policies and disclosures require the measurement of fair values for both financial and non-financial assets and liabilities. Significant valuation issues are reported to the Board of Directors.
When measuring the fair value of an asset or liability, the Group uses market observable data to the extent possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorised in different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

18. CONSOLIDATED ENTITIES

Parent entity	**Country of Incorporation**	**Ownership Interest % 2019**	**Ownership Interest % 2018**
Talon Petroleum Limited	Australia		
Subsidiaries			
Texon I Pty Ltd	Australia	100	100
Rubox Pty Ltd	Australia	100	100
Texoz E&P Holdings I, Inc.	USA	100	100
Texoz E&P Holdings III, Inc.	USA	100	100
Texoz E&P I, Inc.	USA	100	100
Texoz E&P III, Inc.	USA	100	100
Talon Petroleum (UK) Ltd	UK	100	100
EnCounter Oil Ltd	UK	100	-

In the financial statements of the parent entity, investments in controlled entities are measured at cost.

19. ASSET ACQUISITION

Where an acquisition does not meet the definition of a business combination the transaction is accounted for as an asset acquisition. The consideration transferred for the acquisition of an asset comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs with regards to the acquisition are capitalised. Identifiable assets acquired and liabilities assumed in the acquisition are measured at their fair value at the acquisition date.

Where settlement of any part of cash consideration is deferred and/or contingent, the probability of making these future payments are assessed as at acquisition date and measured accordingly. The amounts of payable in the future are discounted to their present value as at the date of exchange. Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

On 25 January 2019 the Company entered into a Heads of Agreement to acquire 100% of EnCounter Oil Ltd ('EnCounter') which holds a 100% interest in the Skymoos and Rocket prospects. Shareholder approval was granted at the General Meeting held on 12 March 2019 and TPD subsequently entered into a fully signed Share Sale Agreement on 10 April 2019. On 15 May 2019 all conditions precedent were completed, with consideration in the form of:

- 100m ordinary shares; and
- 300m class A and B performance shares, contingent on achieving two milestones.

In line with relevant accounting standards EnCounter does not meet the definition of a business and is therefore not within the scope of IFRS 3; the transaction is that of an asset acquisition, and a share-based payment transaction under AASB 2 Share Based payments.

	30-Apr -19
Consideration	**$**
100m ordinary shares issued at $0.03	**300,000**

As at completion date, deemed as 30 April 2019, the net assets of EnCounter consisted of:

	30-Apr-19
Identifiable net assets	**$**
Assets	-
Assets	-
Total assets	**-**
Liabilities	
Trade and other payables	11,462
Provisions	29675
Total liabilities	**41,137**
Net liabilities at 30 April 2019	(40,895)
Add: Consideration	300,000
Total exploration and evaluation assets	**341,137**

Performance shares

Class	# Performance shares	Milestone	Expiry
A	150m	On achieving a farm-in/JV for funding of Skymoos from a Phase A to Phase C programme	30/09/2021
B	150m	On achieving a farm-in/JV for funding of Rocket from a Phase A to Phase C programme	30/09/2021

In determining the fair value of the purchase consideration for the acquisition of EnCounter Oil Limited, the Directors assessed the probability of achieving the respective milestones for the Class A and Class B Performance Shares at the date of issue and the reporting date. It was determined that there was a nil probability of achieving the Class A and Class B milestones. The likelihood of achieving these non-market vesting conditions will be reassessed by the Directors at each reporting date.

The terms and conditions pertaining to the performance shares state that conversion is contingent upon meeting the above milestones; if the milestone is not achieved the amount of performance shares pertaining to the milestone will be redeemed by TPD for $0.000001 per performance share.

The performance shares are unlisted and gives the holder the rights to attend general meetings of shareholders of Talon, but do not entitle the holder to vote on any resolutions proposed at a general meeting, nor does it entitle the holder to any dividends or participation in any new issues of capital offered to holders of the Ordinary Shares, such as bonus issues and entitlement issues; the shares many not participate in the surplus profits or assets of the Company upon winding up, and they are not transferrable. Upon conversion however, new fully paid ordinary shares issued will rank equally in all respects with fully paid ordinary shares.

20. SEGMENT REPORTING

The Group identifies operating segments on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker ("CODM") in order to allocate resources to the segments and to assess their performance.

In prior periods, the Group reported two operating segments based on its geographical locations which were determined to be:

- Australia – corporate and administrative function
- USA – petroleum production

During the current period, the Group reassessed its presentation of operating segments and determined that the Group's operations comprise one segment, being the exploration and evaluation of oil and gas assets, on the basis that the Group's administrative and corporate activities in Australia do not constitute an operating segment. The results of the segment are the same as those of the Group.

21. COMMITMENTS AND CONTINGENCIES

There were no capital commitments at 31 December 2019 or 31 December 2018, other than those disclosed elsewhere in this report.

Indemnities

Indemnities have been provided to directors and certain executive officers of the Company to the extent permitted by law against all liabilities incurred in their capacity as officers of the Company and its controlled entities and all reasonable legal costs incurred by any of them in the defence of an action for a liability incurred by that officer. No monetary limit applies to these agreements and there are no known obligations outstanding at 31 December 2019 (2018: $nil).

Guarantees

The Group has provided guarantees and deposits of $71,292 (2018: $70,883) in relation to exploration activities in Texas, USA.

Litigation

The Group has no outstanding litigation as at 31 December 2019 (2018: $Nil).

22. SUBSEQUENT EVENTS

The World Health Organisation announced that the new coronavirus disease (COVID-19) had become a pandemic on 11 March 2020. The Group has developed policies and procedures to address the health and wellbeing of employees.

The timing, extent of the impact and recovery from COVID-19 on our directors, shareholders and suppliers is unknown at this stage.

The full impact of COVID-19 outbreak continues to evolve as at the date of this report. As such the company is unable to estimate the effects of the COVID-19 outbreak on the company's financial position, liquidity and operations in the financial year 2020.

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

23. CASH FLOW INFORMATION

Reconciliation of cashflows from operations with loss after income tax	**Consolidated 2019 $**	**Consolidated 2018 $**
(Loss) after income tax	(1,517,293)	(932,196)
Cash flows excluded from loss attributable to operating activities		
Non-cash flows in loss:		
Depletion - oil and gas properties	27,821	48,819
Impairment expense (O&G)	207,543	123,589
Share based payments expense	-	9,750
Net exchange differences	(36,237)	(36,250)
Changes in assets and liabilities, net of effects of purchase and disposal of subsidiaries		
(Increase)/decrease in trade and other receivables	(50,846)	(4,767)
Increase/(decrease) in trade and other payables	(100,204)	(9,147)
Net cash used in operating activities	**(1,469,216)**	**(800,202)**

24. AUDITOR'S REMUNERATION

	Consolidated 2019 $	**Consolidated 2018 $**
Audit services:		
Audit fees and review of financial reports – KPMG Australia	-	20,828
Audit fees and review of financial reports – BDO (WA) Pty Ltd	24,834	23,201
	24,834	**44,029**

25. PARENT COMPANY DISCLOSURES

As at, and throughout, the financial year ended 31 December 2019 the parent entity of the Group was Talon Petroleum Limited.

Investments in subsidiaries, associates and joint venture entities

Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Talon Petroleum Limited. Dividends received from associates are recognised in the parent entity's statement of profit or loss when its right to receive the dividend is established.

a) Summary of financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2019 $	2018 $
Current assets	1,816,805	2,129,424
Non-current assets	283,653	(6,501)
Total assets	**2,100,458**	**2,122,923**
Current liabilities	76,784	37,043
Non-current liabilities	-	-
Total liabilities	**76,784**	**37,043**
Share capital	38,183,402	36,726,948
Reserves	200,355	200,355
Accumulated losses	(36,360,083)	(34,841,423)
Total Equity	**2,023,674**	**2,085,880**
(Loss) for the year	**(1,518,660)**	**(931,925)**
Total comprehensive (loss) for the year	**(1,518,660)**	**(931,925)**

b) Commitments and contingent liabilities of the parent

The parent entity did not have any contingent liabilities or commitments, as at 31 December 2019 (31 December 2018: nil) other than as disclosed at note 21.

c) Guarantees entered into the parent entity

There were no guarantees entered into by the parent entity.

26. RELATED PARTIES

a) Key Management Personnel Remuneration

Key management personnel compensation, including amounts paid and share-based payments in respect of services provided to the Group, comprised:

	Consolidated 2019 $	Consolidated 2018 $
Short-term benefits	371,417	210,805
Post-employment benefits	23,750	4,354
Share based payments	-	-
	395,167	**215,159**

b) Transactions with Director related entities

Directors and officers, or their personally related entities, hold positions in other entities that result in them having controls or significant influence over the financial or operating policies of those entities.

Details of the transactions including amounts accrued but unpaid at the end of the year are as follows:

			Transactions		Balances	
Entity	Relationship	Nature of transactions	2019 $	2018 $	2019 $	2018 $
Overlay Capital Pty Ltd	(i)	Reimbursement to Overlay Capital for corporate travel costs	313	1,308	-	-
Steinepreis Paganin	(ii)	Charges from Steinepreis Paganin for corporate legal costs	25,100	2,999	-	-
Geoscience Services Limited	(iii)	Reimbursement for corporate administrative and travel costs	157,500	-	-	-
Springhead Petroleum Pty Ltd	(iv)	Reimbursement for corporate travel costs	6,244	-	-	-
Graham Dorè	(v)	Loan repayment	2,423	-	-	-
Stephen Jenkin	(v)	Loan repayment	1,652	-	-	-

(i) Overlay Capital Pty Ltd is a company associated with Peter Love who was a Director of the Company, up until his resignation on 12 March 2019
(ii) Steinepreis Paganin is a company associated with Roger Steinepreis who was a Director of the Company, up until his resignation on 30 June 2019
(iii) Geoscience Services Limited is a company associated with Graham Dorè who is currently a director of the Company
(iv) Springhead Petroleum Pty Ltd is a company associate with Peter Stickland who is currently a director of the Company
(v) Graham Dorè and Stephen Jenkins are current Directors of the Company, each with an historic loan held under the Company's newly acquired subsidiary, EnCounter Oil Ltd, which cleared in October 2019.

c) Other related party transactions

There were no other related party transactions.

27. SHARE BASED PAYMENTS

The fair value at grant date, for all options issued, is determined using a Black-Scholes option pricing model that takes into account the exercise price, the term of the option, the impact of dilution, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk free interest rate for the term of the option. The expected price volatility is based on the historic volatility.

There were no share based payments during the financial year ended 31 December 2019.

31 December 2018

On 5 November 2018 the Company issued 7,500,000 options to a consultant in lieu of services provided, for nil consideration, with an exercise provide of $0.005 and an expiry date of 31 December 2020.

The assessed fair value at grant date of 7,500,000 options issued during the year ended 31 December 2018 was $0.0013 per option.

The following table lists the inputs to the model used for valuation of options:

Valuation date	5 Nov 2018
Expected volatility (%)	100%
Risk-free interest rate (%)	2.05%
Expected life of option (years)	2 years
Option exercise price ($)	$0.005
Share price at grant date ($)	$0.003
Expiry date	31 Dec 20
Valuation of option	$0.0013
Total value of option	$9,750

28. APPLICATION OF NEW AND REVISED ACCOUNTING STANDARDS

Accounting Standards that are mandatorily effective for the current reporting period

The Group has adopted all of the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to its operations and effective for an accounting period that begins on or after 1 January 2019.

New and revised Standards and amendments thereof and Interpretations effective for the current year that are relevant to the Group include:

Impact of adopting AASB 16

AASB 16 supersedes AASB 117 Leases, Interpretation 4 Determining whether an Arrangement contains a Lease, Interpretation 115 Operating Leases-Incentives and Interpretation 127 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Before the adoption of AASB 16, the Group classified each of its leases (as lessee) at inception as either a finance lease or an operating lease. For operating leases, the leased item was not capitalised and the lease payments were recognised in the profit or loss on a straight-line basis.

The Group adopted AASB 16 from 1 January 2019 using the modified retrospective method of adoption. The Group has applied recognition exemptions or practical expedient allowing the standard to be applied only to contracts that were previously identified as leases applying AASB 117 and Interpretation 4 at the date of initial application. The Group also elected to apply practical expedients in relation to lease contracts that, at the commencement date, have a lease term of 12 months or less and do not contain a purchase option ('short-term leases'), and lease contracts for which the underlying asset is of low value ('low-value assets'), and the practical expedient to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

During the financial year to 31 December 2019, the Group had office rental leasing arrangements in place which was determined to be a short-term lease.

On adoption of AASB 16 Leases, set out below are the new accounting policies of the Group applied from 1 January 2019:

Group as Lessee

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Unless the Group is reasonably certain to obtain ownership of the leased asset at the end of the lease term, the recognised right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term. Right-of-use assets are subject to impairment.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate. The variable lease payments that do not depend on an index or a rate are recognised as expense in the period on which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the in-substance fixed lease payments or a change in the assessment to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office rental (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office rental that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

There are no other standards that are not yet effective and that are expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions.

Directors' Declaration

In the opinion of the Directors of Talon Petroleum Limited ("the Company"):

(a) the consolidated financial statements and notes set out on pages 24 to 50 and the Remuneration report in pages 17 to 22 of the Directors' Report as set out on pages 13 to 22, are in accordance with the *Corporations Act 2001* (Cth), including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001* (Cth);

(b) the consolidated financial statements and notes also comply with International Financial Reporting Standards as disclosed in Note 2(a);

(c) 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 has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the *Corporations Act 2001* (Cth) for the financial year ended 31 December 2019.

Signed in accordance with a resolution of the Directors.

Peter Stickland
Non-Executive Chairman
Signed at Melbourne on this 31st day of March 2020

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INDEPENDENT AUDITOR'S REPORT

To the members of Talon Petroleum Limited

Report on the Audit of the Financial Report

Opinion

We have audited the financial report of Talon Petroleum Limited (the Company) and its subsidiaries (the Group), which comprises the consolidated statement of financial position as at 31 December 2019, 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 year then ended, and notes to the financial report, including a summary of significant accounting policies and the directors' declaration.

In our opinion the accompanying financial report of the Group, is in accordance with the Corporations Act 2001, including:

(i) Giving a true and fair view of the Group's financial position as at 31 December 2019 and of its financial performance for the year ended on that date; and

(ii) Complying with Australian Accounting Standards and the Corporations Regulations 2001.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report. We are independent of the Group in accordance with 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 (the Code) that are relevant to our audit of the 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 in the same terms if given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter - Subsequent event

We draw attention to Note 22 of the financial report, which describes the non-adjusting subsequent event on the impact of the COVID-19 outbreak on the Group. Our opinion is not modified with respect to this matter.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial report of the current period. These matters were addressed in the context of our audit of the financial report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accounting for Asset Acquisition

Key audit matter	How the matter was addressed in our audit
On 10 April 2019, the Group entered into a share sale agreement to acquire a 100% interest in Encounter Oil Ltd, for purchase consideration of 100 million fully paid ordinary shares 150 million class A performance shares and 150 million class B performance shares as disclosed in Note 19. The Group treated the transaction as an asset acquisition, rather than a business acquisition. Accounting for this transaction is complex and requires management to exercise judgement to determine the appropriate accounting treatment. These judgements include whether the acquisition is accounted for as an asset or business acquisition, estimating the fair value of net assets acquired and estimating the fair value of the purchase consideration. This has been identified as a key audit matter because this was a significant transaction during the period which involved judgement to be exercised by management.	Our procedures included, but were not limited to: • Obtaining an understanding of the transaction, including an assessment of whether the transaction constituted an asset or business acquisition; • Reviewing the sale and purchase agreement to understand key terms and conditions; • Assessing management's determination of the fair value of consideration paid and agreeing the consideration to supporting documentation; • Assessing the allocation of the purchase price to the net assets which have been acquired; • Agreeing that no goodwill was recognised and that costs associated with the acquisition were capitalised in order to be in line with the correct accounting policy for asset acquisitions; and • Assessing the adequacy of the related disclosures in Notes 19 to the financial report.

Other information

The directors are responsible for the other information. The other information comprises the information in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and the auditor's report thereon.

Our opinion on the financial report does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Report

The directors of the Company are responsible for the preparation of the 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 financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the ability of the group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

A further description of our responsibilities for the audit of the financial report is located at the Auditing and Assurance Standards Board website (http://www.auasb.gov.au/Home.aspx) at:

http://www.auasb.gov.au/auditors_responsibilities/ar1.pdf

This description forms part of our auditor's report.

Report on the Remuneration Report

Opinion on the Remuneration Report

We have audited the Remuneration Report included in pages 17 to 22 of the directors' report for the year ended 31 December 2019.

In our opinion, the Remuneration Report of Talon Petroleum Limited, for the year ended 31 December 2019, complies with section 300A of the Corporations Act 2001.

Responsibilities

The directors of the Company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the Corporations Act 2001. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

BDO Audit (WA) Pty Ltd

BDO

Dean Just

Director

Perth, 31 March 2020

Shareholder Information

Talon Petroleum Ltd shares are listed on the Australian Securities Exchange. The Company's ASX code is TPD for Ordinary Shares.

SUBSTANTIAL SHAREHOLDERS (HOLDING NOT LESS THAN 5%)

Name of Shareholder	Total Number of Voting Shares in Talon Petroleum Ltd in which the Substantial Shareholders and its Associates Hold Relevant Interests	Percentage of Total Number of Voting Shares (%)
Rocket Science Pty Ltd	**156,433,743**	**8.80**
Mr Martin Rowney	**96,500,000**	**5.43**

CLASS OF SHARES AND VOTING RIGHTS

At 19 March 2020 there were 591 holders of 1,776,789,525 ordinary fully paid shares of the Company. The voting rights attaching to the ordinary shares are in accordance with the Company's Constitution being that:

a. each Shareholder entitled to vote may vote in person or by proxy, attorney or Representative;
b. on a show of hands, every person present who is a Shareholder or a proxy, attorney or Representative of a shareholder has one vote; and
c. on a poll, every person present who is a shareholder or a proxy, attorney or Representative of a shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or Representative, have one vote for the Share, but in respect of partly paid Shares, shall, have such number of votes as bears the proportion which the paid amount (not credited) is of the total amounts paid and payable (excluding amounts credited).

The number of shareholders holding less than a marketable parcel is 388.

UNLISTED OPTIONS

Securities	Number of Securities on issue	Number of Holders	Name of Holders holding more than 20%	Number Held
Options exercisable at $0.005 on or before 31 Dec 2020	97,500,000	1	Matthew McNeill Worner	30,000,000

CASH USAGE

Since the time of listing on ASX, the entity has used its cash and assets in a form readily converted to cash that it had at the time of admission to the official list of ASX in a manner which is consistent with its business objectives.

Shareholder Information

TOP 20 SHAREHOLDERS AS AT 19 MARCH 2020

Rank	Name	Shares	% of Units
1.	ROCKET SCIENCE PTY LTD <THE TROJAN CAPITAL FUND A/C>	156,433,743	8.80
2.	MR MARTIN ROWNEY	96,500,000	5.43
3.	BT PORTFOLIO SERVICES LTD <WARRELL HOLDINGS S/F A/C>	70,000,000	3.94
4.	PRECISION OPPORTUNITIES FUND LTD <INVESTMENT A/C>	66,666,667	3.75
5.	RANCHLAND HOLDINGS PTY LTD <RC STEINEPREIS FAMILY A/C>	66,666,667	3.75
6.	VIMINALE PTY LTD <DA PAGANIN FAMILY NO 2 A/C>	66,666,667	3.75
7.	BNP PARIBAS NOMINEES PTY LTD HUB24 CUSTODIAL SERV LTD DRP	60,742,314	3.42
8.	MAGAURITE PTY LTD <PETER NELSON SUPER FUND A/C>	44,200,000	2.49
9.	GREMAR HOLDINGS PTY LTD	40,000,000	2.25
10.	GREENSEA INVESTMENTS PTY LTD	34,466,860	1.94
11.	KINGSLANE PTY LTD <CRANSTON SUPER PENSION A/C>	33,333,333	1.88
12.	YARRUMUP PTY LTD <CAPULET SUPER FUND A/C>	33,333,333	1.88
13.	MR BIN LIU	28,435,160	1.60
14.	J P MORGAN NOMINEES AUSTRALIA PTY LIMITED	24,919,519	1.40
15.	TKPJ PTY LTD	24,583,335	1.38
16.	M E J C PTY LTD <MEJ CLARKE FAMILY A/C>	23,840,000	1.34
17.	MR ROBERT KEITH BLANDEN + MS JOAN SYBIL BLANDEN <RK & JS BLANDEN S/F A/C>	23,000,000	1.29
18.	MR ALAN BOOTH	22,000,000	1.24
19.	MR GRAHAM DORÈ	22,000,000	1.24
20.	MR PAUL RAYMOND YOUNG	22,000,000	1.24
TOTAL		**959,787,598**	**54.02**

RANGE OF ORDINARY SHARES AS AT 19 MARCH 2020

Range	Total Holders	Units	%
1 - 1,000	70	12,589	0.00
1,001 - 5,000	30	86,815	0.00
5,001 - 10,000	21	160,763	0.01
10,001 - 100,000	172	8,431,379	0.47
100,001 - 9,999,999,999	298	1,768,097,979	99.52
Total	**591**	**1,776,789,525**	**100**

Glossary

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
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
bcfe	billion cubic feet equivalent
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	Talon Petroleum Limited (ABN 88 153 229 086)
Constitution	constitution of the Company
Corporations Act	*Corporations Act 2001* (Cth)
Director	director of the Company
ft	feet
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)
mcf	thousand cubic feet
mcfd	thousand cubic feet per day
mcfgpd	thousand cubic feet of gas per day
mmbo	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)
mmcf	million cubic feet
NGL	natural gas liquids
NRI	net revenue interest or share of production after all burdens such as royalties have been deducted from the WI
ORRI	overriding royalty interest, which is a percentage share of production free from all costs of drilling and producing
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.
TVD	True Vertical Depth
US$	U.S. dollars
VWAP	volume weighted average price
WI	working interest, a cost bearing interest of an oil and gas project

Qualified Evaluator Statements

Schlumberger Oilfield UK

The information in this report that relates to Contingent Resource information in relation to Curlew-A is based on information compiled by technical employees of independent consultants, Software Information Solutions Schlumberger Oilfield UK and overseen by Mr. Charles M. Boyer II. This information was subsequently reviewed by Mr Paul Senycia BSc (Hons) (Mining Engineering), MAppSc (Exploration Geophysics), who has consented to the inclusion of such information in this report in the form and context in which it appears. Mr Senycia is a consultant to the Company, with more than 30 years relevant experience in the petroleum industry and is a member of The Society of Petroleum Engineers (SPE). The resources included in this report have been prepared using definitions and guidelines consistent with the 2007 Society of Petroleum Engineers (SPE)/World Petroleum Council (WPC)/ American Association of Petroleum Geologists (AAPG)/ Society of Petroleum Evaluation Engineers (SPEE) Petroleum Resources Management System (PRMS). The resources information included in this report are based on, and fairly represents, information and supporting documentation reviewed by Mr Senycia. Mr Senycia is qualified in accordance with the requirements of ASX Listing Rule 5.41 and consents to the inclusion of the information in this report of the matters based on this information in the form and context in which it appears.