

26 October 2018

TALON PETROLEUM ENTERS NORTH SEA WITH FARMIN TO APPRAISAL DRILLING

HIGHLIGHTS:

- Talon farms in to a 10% interest in Licence P2396 containing the 45mmboe (gross 2C Contingent Resource) Curlew-A discovery
- The farmin is Talon's first step in a broader UK North Sea strategy with several additional high-quality opportunities under consideration
- Successful placement to sophisticated investors to raise \$720,000

Talon Petroleum Limited (**ASX: TPD**) ("**Talon**" or "**Company**") is pleased to announce that it has entered into an agreement with Corallian Energy Limited ("**Corallian**") to earn a 10% interest in Licence P2396 (the **Licence**), subject to Oil & Authority (OGA) approval of the assignment.

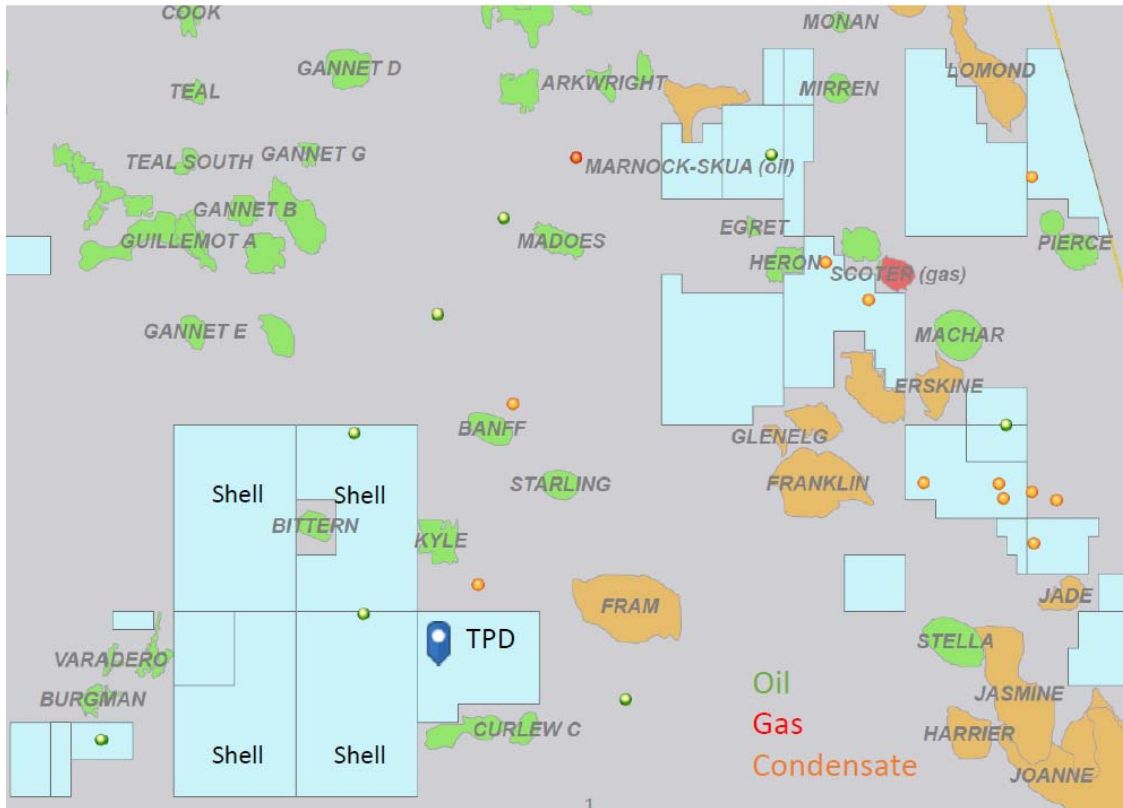
The Licence is located in the prolific Central Graben area of the UK North Sea and contains the Curlew-A discovery made by Shell in 1977. Curlew-A contains an independently certified gross 2C Contingent Resource of 45mmboe. Appraisal drilling at Curlew-A is currently scheduled for 3Q 2019.

Overview of Curlew-A appraisal opportunity

Curlew-A is a significant un-appraised Tertiary aged oil discovery made by Shell in 1977, and is one of the few remaining undeveloped, sizable simple four-way dip closed oil bearing structures located adjacent to the prolific Central Graben area of the UK North Sea. The Curlew-A discovery well encountered net oil sands of 10.5m and recovered multiple 36° API oil samples.

The Licence was most recently held by Shell but was relinquished in 2016 prior to its planned appraisal of Curlew-A during a period of lower oil price. The Licence was recently awarded to Corallian via the 30th Seaward Licensing Round and is currently in its initial 3-year phase with minimal commitments.

Timing of appraisal drilling is planned for 3Q 2019 and subject to licensees moving into the secondary commitment phase of the Licence.



Map showing location of P2396 Licence
Blue areas indicate licences awarded in recent 30th Seaward Licensing Round

Competent Person’s Report – Schlumberger 2018 (“CPR”)

A CPR on Curlew-A was completed by Schlumberger in October 2018 and provides independent certification of the 45mmboe (gross 2C) Contingent Resources in the Odin and Cromarty reservoirs to be targeted by appraisal drilling in 2019.

The table below shows the Unrisked Contingent Resources assigned by Schlumberger to Curlew-A on a gross basis as well as net to Talon’s proposed 10% interest. Successful appraisal of Curlew-A has the potential to be transformational for Talon.

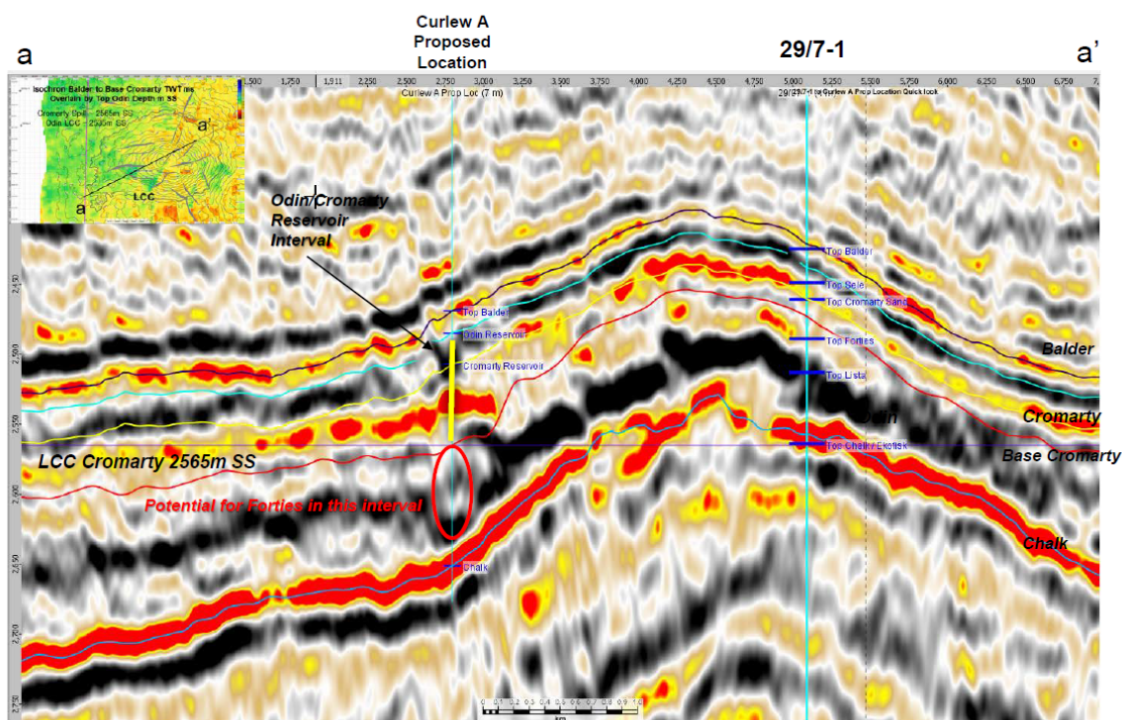
	Unrisked Oil in Place	Unrisked Contingent Resource		
	Gross – 100% interest	Gross – 100% interest		Talon Net – 10%
	MMbbl	Oil - MMbbl	Gas - Bscf	Mmboe (6:1)
Low Estimate – 1C	56.5	15.5	23.9	1.95
Best Estimate – 2C	120.0	36.2	50.9	4.5
High Estimate – 3C	186.8	68.3	79.1	8.15

Curlew-A Unrisked Contingent Resource

Additional prospective upside to be tested by appraisal drilling

In addition to looking to prove the significant 2C Contingent Resource for future development, Curlew-A appraisal drilling will test a secondary objective in the Forties Sandstone, which was not encountered in the original discovery well but that may be developed in the southwestern flank of the structure and which was present in nearby wells.

Success in the Forties Sandstone objective could lead to significant additional volumes and Talon is working to collaborate with Corallian to quantify the potential of the Forties Sandstone through the interpretation of available data.



Seismic line through Curlew-A discovery well and proposed drill location

Overview of farmin agreement with Corallian

- Talon to be assigned a 10% interest in P2396 Licence subject to regulatory approvals
- Talon to participate in the drilling of the Curlew-A appraisal well at 10% participating interest/15% paying interest (1.5x promote capped at £12 million)
- Current well cost estimate - £10 million
- Talon net well cost £1.8 million/A\$3.2mm (at cap)
- Talon net share of 3-year initial phase costs – A\$65k

UK North Sea Strategy

Participation in the Licence is the first step by Talon in what will be a concentrated UK North Sea new ventures effort by the Company. Talon sees the ability to build a sustainable E&P business in the UK North Sea through the drilling of low-risk, low-cost and high chance of success opportunities.

Talon is presently engaged in the review of several such opportunities and is hopeful of progressing to further asset capture in the near term.

Why the UK North Sea?

- Prolific oil and gas province with over 50 years of oil and gas production and some 43 billion barrels of oil and gas recovered from Britain's offshore fields
- Strong market for product with 70% of the UK's primary energy consumption being provided by oil and gas with transport and heating being dominant uses
- The Oil and Gas Authority in Britain estimates that significant remaining recoverable resource potential remains with between 10-20 billion boe:
 - 6-9 billion boe in existing reserves
 - 2-5 billion boe in potential additional resources
 - 2-6 billion boe in yet to find potential
- Regular bid rounds for further acreage capture
- Abundant infrastructure allowing for development capex reductions
- Drilling activity on the increase post oil price recovery

Talon investment criteria

- Non-operated equity positions of up to 20%
- Drilling:
 - Appraisal of known discoveries; or
 - low-risk exploration
- Tie-backs to nearby infrastructure

Placement to raise \$720,000

In order to provide funding for Talon's entry into the Licence and other potential North Sea acquisitions, the Company has agreed a placement to sophisticated investors of 240,000,000 shares at an issue price of \$0.003 to raise an amount of \$720,000.

Chieftain Securities Pty Ltd acted as Corporate Advisor and Lead Manager to the placement, which will be completed under Talon's existing Listing Rule 7.1 capacity (under which an amount of 153,018,428 shares were issued) and 7.1A capacity (under which an amount of 86,981,572 shares were issued). An Appendix 3B and cleansing notice will be lodged on completion.

About Corallian Energy

Corallian is a private oil and gas appraisal and exploration company based in the United Kingdom. The company holds seven licences close to established infrastructure. Corallian is the operator of two offshore wells to be drilled in Q4 2018 – the Colter appraisal well in Licence P1918 and the Wick exploration well in Licence P2235 – having successfully farmed these out to incoming partners.

www.corallian.co.uk

Contact Information

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Competent Persons Statement

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.

Contingent Resources Reporting Notes for the Curlew-A Discovery reported for the first time (LR5.33)

- **LR5.33.1:** *The Contingent Resources at Curlew-A are located within Licence P2396 located in the UK Central North Sea. Corallian Energy Limited holds a 100% interest in P2396. Pursuant to its farmin agreement Talon has the right to be assigned both a 10% interest in P2396.*
- **LR5.33.2** *The resource volumes associated with the Lower Eocene Odin and Upper Paleocene Cromarty sandstones in Curlew-A are classified as Contingent in this evaluation. Oil was discovered in the Curlew-A Discovery when the 29/7-1 well intersected approximately 10.5 metres of net sand in the Odin and Cromarty sandstones within a salt-cored anticline covering a total mapped area of approximately 20.5 square kilometres. Reservoir quality is good with an estimated 25% average porosity. A series of FIT (Formation Interval Test) well tests were run through casing in the Cromarty sands which recovered oil and gas and suggested mobile water. Petrophysical and core/chip analysis indicate the presence of hydrocarbons in the Odin sand.*
- **LR5.33.3** *a brief description of:*
 - *the analytical procedures used to estimate the Contingent Resources Standard geological and engineering methods generally accepted by the petroleum industry were used in the estimation of Corallian's Contingent Resources. Probabilistic methods were used to determine the Contingent Resource volumes in the Odin and Cromarty Sandstones of the Curlew-A Discovery. The appropriate range of values for each reservoir parameter were incorporated in the volumetric calculation and recovery factor to estimate the unrisked Low Estimate (1C), Best Estimate (2C), and High Estimate (3C) of Stock Tank Oil Initially In Place (STOIP) and recoverable Contingent Resources.*

- *These calculations were based on data and maps provided to Schlumberger by Corallian or publicly available data. Comparisons were made to similar properties for which more complete data were available for reservoir properties required in the volumetric estimates but not available in the data provided.*
- *the key contingencies that prevent the CR's from being classified as reserves The Contingent Resources are contingent on completing sufficient flow testing to establish commercial productivity as is present in nearby producing fields, securing a host platform for production operations, and securing project funding.*
- *any further appraisal drilling and evaluation work to be undertaken to assess the potential for a commercial discovery and to progress the project Corallian plans to drill a down-dip appraisal well at Curlew-A with a jack-up rig. The objective of the appraisal well will be to intersect oil-bearing Odin and Cromarty reservoirs and prove commercially viable reserves.*

SPE definitions

Reserves represent that part of resources which are commercially recoverable and have been justified for development, while contingent and prospective resources are less certain because some significant commercial or technical hurdle must be overcome prior to there being confidence in the eventual production of the volumes. Talon does not yet have reported reserves.

Contingent resources are less certain than reserves. These are resources that are potentially recoverable but not yet considered mature enough for commercial development due to technological or business hurdles. For contingent resources to move into the reserves category, the key conditions, or contingencies, that prevented commercial development must be clarified and removed. As an example, all required internal and external approvals should be in place or determined to be forthcoming, including environmental and governmental approvals. There also must be evidence of firm intention by a company's management to proceed with development within a reasonable time frame (typically 5 years, though it could be longer).

Prospective resources are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled. This class represents a higher risk than contingent resources since the risk of discovery is also added. For prospective resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development projects prepared.