

**27 November 2018**

### **Shareholder Update**

Dear Shareholder

I am pleased to provide an update on Talon Petroleum Limited (ASX: TPD) as we begin to embark on the newly incorporated UK North Sea strategy, a decision which both the Board and management team believe will create an exciting new future for the Company.

The UK North Sea strategy offers great upside for Talon, and the oil and gas sector continues to experience a resurgence which has seen increased investment and activity in 2018.

Against this backdrop of improved industry confidence, Talon has been focused on consolidating its new growth strategy through an improved balance sheet, experienced board additions and, most importantly, exposure to strategic assets that provide an opportunity to deliver significant shareholder value. As a result, your company has acquired its first UK North Sea asset, a 10% interest in Licence P2368 which contains the 45mmboe (2C) Curlew-A discovery.

The acquisition of a 10% interest in Curlew-A has not only allowed Talon to book a net 2C Contingent Resource of 4.5mmboe, it also represents the first step in a concentrated UK North Sea effort to identify new and value accretive ventures. Talon believes this new strategy will provide a significant opportunity to build a substantial Exploration & Production (E&P) company in this prolific oil and gas province through both organic and inorganic means.

The *"UK Oil and Gas: Reserves and Resources"* report recently published by the Oil and Gas Authority in the UK highlights the world-class potential of the North Sea region, which underpins the strategy of Talon's positioning in the area. Findings of the report include:

- The UK's petroleum reserves remain significant; the UK Continental Shelf (UKCS) 2P reserves at the end of 2017 were 5.4 billion boe, which could sustain production for 20+ years
- During 2017, 400 million boe were added to 2P reserves
- Contingent Resource (2C) is significant with a central estimate of discovered, undeveloped resources of 7.5 billion boe
- Exploration success added an additional 181 million boe of Contingent Resources in 2017, and
- The mapped lead and prospect inventory now stands at a mean 4.1 billion boe with and additional mean prospective resource of 11.2 billion boe estimated to be contained in plays outside of the mapped leads and prospects.

The highlights above, in conjunction with a stable and supportive regulatory environment, regular bid rounds for new acreage and world-class infrastructure, provide a backdrop which will allow Talon to develop a company of significant scale and value.

Talon has also recently submitted its first application for acreage released via the UK Continental Shelf (UKCS) 31<sup>st</sup> Seaward Licensing Round. Identified within the application area is a high-impact, drill ready exploration prospect which, if the licence is awarded, will be readied for farmout. Proposed Initial work commitments are very low, demonstrating the ability of companies to gain low cost exposure to exciting UKCS acreage positions through successful bid round applications. Whilst Talon has submitted what it views as being a strong bid, the licensing round process is competitive, and the outcome won't be known until 2Q 2019.

Talon continues to actively review new and exciting opportunities that align with our growth strategy, and we look forward to acquiring further projects that offer significant potential to add value to Talon's portfolio.

The Board thanks all shareholders for their ongoing support of Talon. This year has seen a positive step-change in the company's focus and Talon is well positioned to further develop the UK North Sea strategy.

We look forward to continuing to grow the Company and delivering long-term shareholder value.

**Matt Worner**

**Director**

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