

TALON AGREES TO ACQUIRE ENCOUNTER OIL LIMITED, MORE THAN DOUBLING ITS UK NORTH SEA PORTFOLIO

HIGHLIGHTS:

- Talon continues to advance its UK North Sea strategy with the acquisition of EnCounter Oil Limited
- EnCounter was formed by former members of EnCore Oil PLC, a company focused on the North Sea and responsible for significant hydrocarbon discoveries at Breagh, Cladhan, Catcher, Varadero and Burgman
- EnCore was acquired by Premier Oil in 2011 for £221 million
- Acquisition underpinned by the addition of 100% interest in two high-quality exploration opportunities
 - Licence 2363 - Skymoos Prospect: containing the 107mmbo best estimate prospective resource
 - Licence 2392 - Rocket Prospect: containing the 27mmbo best estimate prospective resource
- Highly experienced UK based North Sea oil finders Graham Doré and Paul Young to join Talon team, with Graham Doré to join as Non-Executive Director upon completion of the transaction
- Staged, incentive-based transaction structure provides balanced exposure to upside for both parties
- Acquisition of EnCounter follows the farm-in agreement with Corallian Energy to earn a 10% interest in License P2396, which contains a 45mmboe Curlew-A discovery (gross 2C contingent resource)¹
- Talon to raise \$1.25 million in a heavily-oversubscribed placement to sophisticated investors

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.

¹refer to Talon ASX release dated 26 October 2018

Talon Petroleum Limited (**ASX: TPD**) (“**Talon**” or “**Company**”) is pleased to announce that it has entered into a binding heads of agreement for the purchase of 100% of the shares in EnCounter Oil Limited (**EnCounter**). Completion of the transaction is subject to final legal and financial due diligence on EnCounter and all required shareholder approvals.

The EnCounter acquisition is the second transaction executed by Talon, as the Company looks to build on its newly incorporated UK North Sea strategy. The transaction provides Talon with 100% ownership of two recently awarded, high-impact exploration licences which are being readied for farm-out. Further, the acquisition provides Talon with access to a significant technical database, and highly experienced UK North Sea executives Graham Doré and Paul Young will also join the Talon team.

Mr Dore will join the board of Talon Petroleum as a Non-Executive Director upon completion of the acquisition. Current Non-Executive Chairman, Peter Love has advised that he will be retiring from the Board at that time.

Talon Managing Director, Matthew Worner said:

“The transaction with EnCounter Oil is a significant step forward in Talon’s UK North Sea strategy. Talon is extremely pleased to be executing this deal with EnCounter Oil, with the company acquiring both the highly-prospective Skymoos and Rocket prospects. Talon is also pleased to welcome both Graham Doré and Paul Young, two highly experienced Oil and Gas executives, who bring outstanding UK North Sea experience, and will play a pivotal role in Talon delivering long-term shareholder value from its growing North Sea portfolio.

The Company set about its strategy to assemble a compelling portfolio of UK North Sea opportunities only six months ago. To have brought in three exciting and highly prospective assets in such a relatively short period of time is a particularly pleasing outcome, and Talon will continue to build on this during the year.

A farm-out process to secure industry funding for drilling both Skymoos and Rocket will now commence, and we look forward to drilling an appraisal well at Curlew-A which is currently planned for 3Q 2019.”

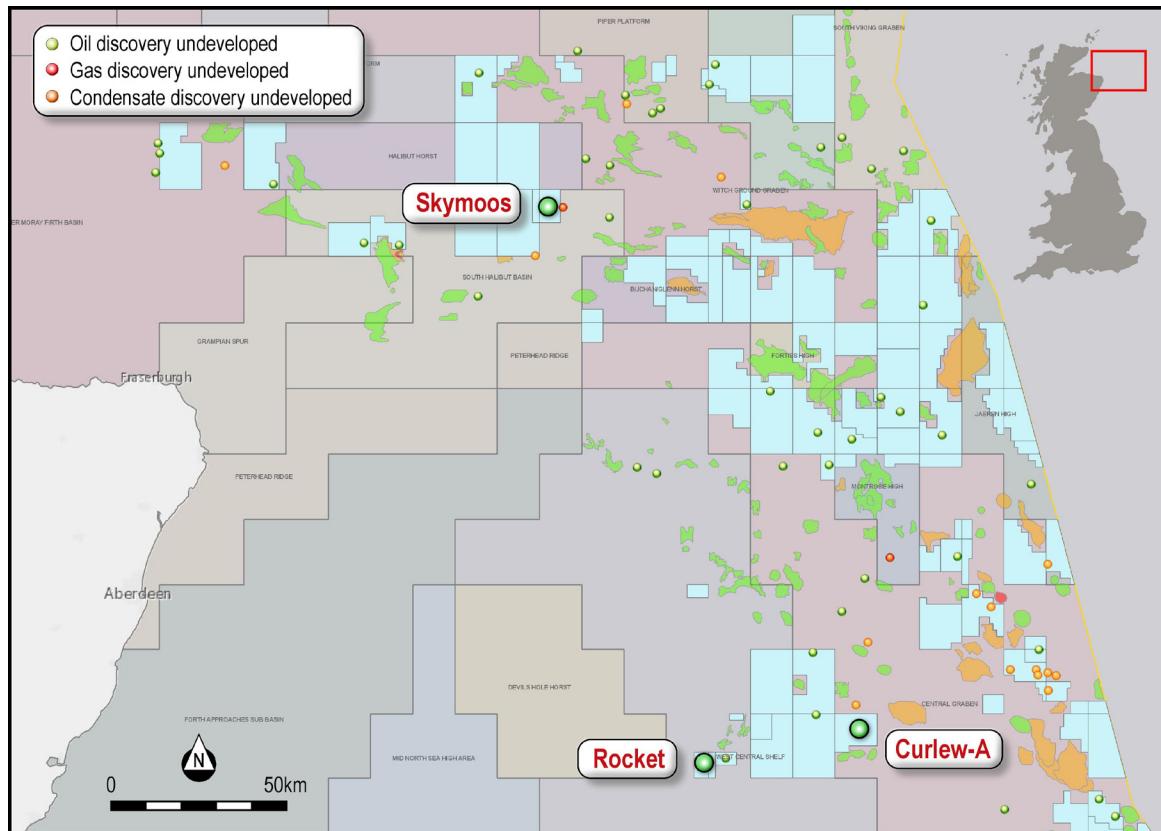


Figure 1: The Talon Petroleum UK North Sea Portfolio after acquisition of EnCounter

Overview of Transaction

The transaction structure between Talon and EnCounter has been agreed to provide both balance and alignment of interest for both parties, which will allow a framework that the Company believes will provide the greatest chance of executing successful outcomes at the Rocket and Skymoos prospects.

Subject to final legal and financial due diligence on EnCounter, Talon shareholder approval (including shareholder approvals in relation to the issue of Talon securities set out below) and regulatory approvals, Talon will acquire 100% of the issued share capital of EnCounter for the consideration below:

- 100m ordinary Talon shares, subject to a 12-month voluntary escrow period
- 150m 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
- 150m 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

The consideration will be provided to the current shareholders of EnCounter, including Mr Doré and Mr Young. Should the relevant milestones set out above be achieved and the 400 million Performance Shares convert into ordinary shares, the EnCounter shareholders will hold 19% of the capital of Talon (based on Talon's current issued capital which is 2,076,789,525 and assuming no further dilution beyond the 416,666,667 shares to be issued under the placement).

The Company will prepare a Notice of Meeting for all required shareholder approvals. It is anticipated that the relevant meeting will be held in around six weeks and assuming approval of required resolutions, completion of the transaction will occur shortly thereafter.

EnCounter Oil Limited

EnCounter is a private, UK based company 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 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.

Graham Doré (Technical Director) and Paul Young (Geoscience Manager) were foundation members of EnCore and were pivotal in the growth and development of the business up until its acquisition by Premier Oil. Mr Doré and Mr Young, along with former EnCore CEO, Alan Booth are founders of EnCounter.

Since 2012, EnCounter has acquired a small portfolio of UK Central North Sea assets, and in 2016 successfully farmed out and drilled the Bagpuss heavy oil discovery.

Presently, EnCounter is the holder of 100% interest in two exploration licences in the UK Continental Shelf ("UKCS"), Licence 2363 and Licence 2392, which contain the Skymoos and Rocket exploration prospects. The addition of these two licences adds significant exploration upside potential to the Talon portfolio and come with very modest work commitments in the initial phase.

The Rocket Prospect – 27mmbo (best estimate prospective resource)

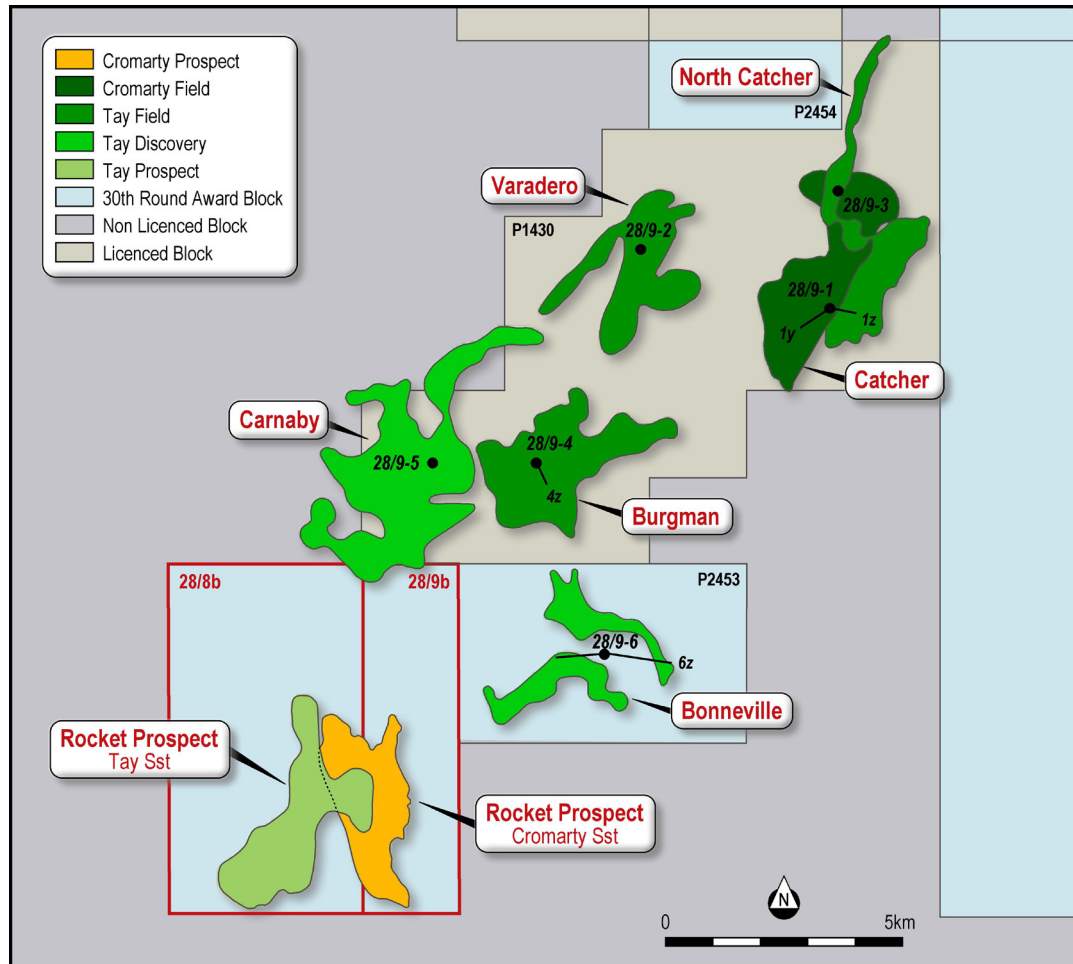


Figure 2: Map showing location of P2392 Licence (area in red) and Rocket Prospect

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 2, 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.

Like the adjacent discoveries to the north, Rocket has a distinctive amplitude response on seismic data. This attribute has allowed a faultless exploration program to discover a significant reserve base, which since 2017 has produced oil from an excellent quality reservoir at 70,000 bopd.

Should the Rocket Prospect be successful, the development of the well will be led by a short tieback to this recently commissioned development facility.

At Rocket, nearby field well control to the north, as shown in figure 2, and the presence of an aerially continuous 3D seismic data set, allows a good correlation of expected seal and reservoir sequences, and of estimates for both quality and thickness.

Using this offset data where publicly available, the detailed seismic mapping, and other open file reports on the area, which include the SPE presentation entitled 'The Catcher Area Development', a best estimate prospective resource of 27 mmbo has been calculated for the Cromarty Prospect level alone. Additional upside may be present in the Tay sands which are known to be present in nearby fields.

Based on normal risking methodology used in the oil and gas industry an estimated probability of commercial success for the Rocket Prospect, after all technical work has been completed, is in the range 20-30%.

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

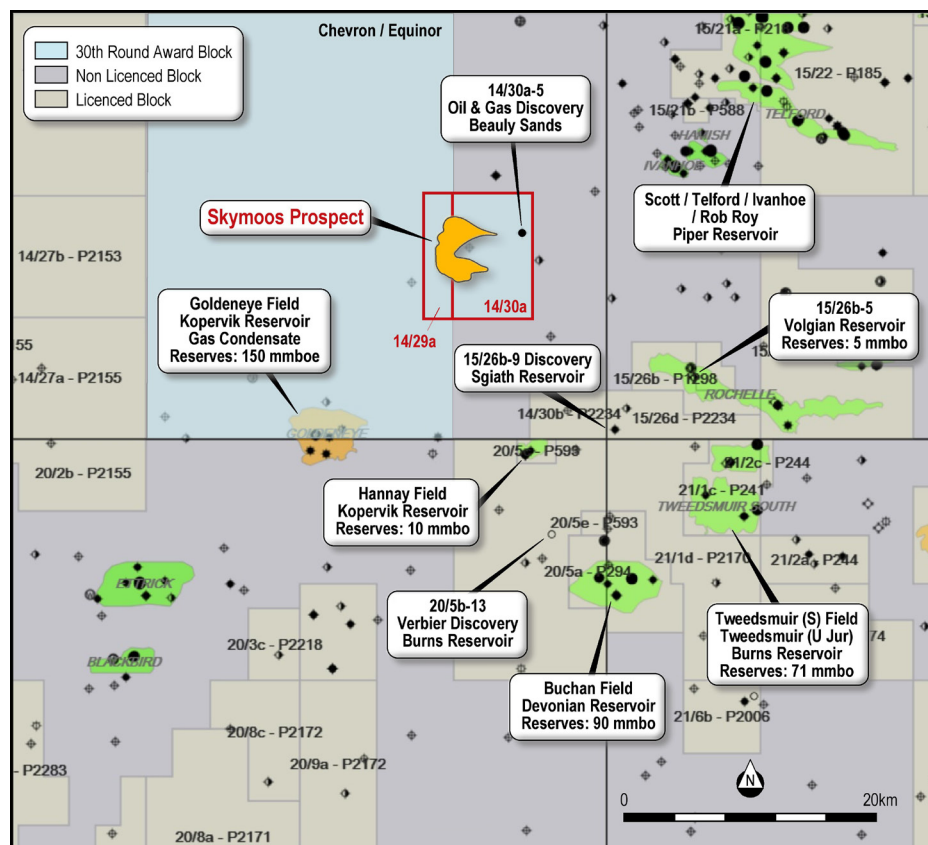


Figure 3: Map showing location of Licence 2363 (area shown in red)

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 structure is dip-closed in all directions, save to the east where, from vintage well control, the Burns sand is known to be absent.

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.

Where available adjacent open file field and well control (eg. Well 14/30a-5), as shown in figure 3, tied into 3D seismic data has allowed the presence of the Skymoos Prospect to be uncovered. This data allows accurate correlation of the crucial seal and reservoir intervals and an estimate of their quality and thickness. A best estimate prospective resource of 107mmbo has been calculated for the prospect.

Based on normal risking methodology used in the oil and gas industry an estimated probability of commercial success for the Skymoos Prospect, after all technical work has been completed, is in the range 20-30%.

Addition of Graham Doré and Paul Young to Talon Petroleum

Graham Doré

Mr Graham Doré boasts over 30 years' experience in the oil industry and gained a B.Sc. in Geology at Bedford College (University of London) in 1984, and an M.Sc. in Petroleum Geology in 1986. Following working as a mudlogger for Geoservices, Mr Doré joined Amerada Hess Limited as a geologist in 1987 working on a range of exploration projects in the UK, Norway and Namibia.

After joining PanCanadian Petroleum Limited (subsequently EnCana UK Ltd and Nexen UK Ltd) as a senior geologist in 1997, Mr Doré was responsible for developing and acquiring a wide-ranging exploration portfolio. Mr Doré played an instrumental role in the identification and development of the Buzzard and Golden Eagle prospects leading to the discovery of the giant Buzzard field (550mmbo) in 2001 and Golden Eagle field (150mmbo) in 2006.

In 2005 Mr Doré helped establish EnCore as Exploration Director. EnCore drilled over 25 successful exploration and appraisal wells discovering the Catcher, Varadero and Burgman fields in the Central Graben and the Cladhan field in the Viking Graben. EnCore was sold to Premier Oil in 2011 for £221 million.

Following the sale of EnCore, Mr Doré cofounded EnCounter Oil limited, Groliffe Limited and Geoscience Services Limited. EnCounter acquired a small portfolio of North Sea assets leading to the farm-out and drilling of the Bagpuss heavy oil discovery in 2016.

Paul Young

Paul Young received a B.Sc (Honours) degree in Geology and Geophysics from Memorial University of Newfoundland in 1983, and has spent the last 35 years in oil and gas exploration.

Mr Young was recruited from University by PanCanadian Petroleum to Calgary as a Geophysicist and over the next 8 years drilled more than one hundred exploration, appraisal and development wells in Western Canada.

In 1991 Mr Young joined the high-risk Northern Canada and Rocky Mountain Foothills Exploration group. Five years later Mr Young moved to the international division where he worked in a number of oil-rich locations including West Africa, Middle East, UK and Libya.

In 1998 Mr Young accepted an assignment to London to work on the UKCS 18th Round at which PanCanadian picked up its first operated licences resulting in the giant Buzzard discovery in 2001. PanCanadian (subsequently EnCana from 2002-2004 and Nexen from 2004) also drilled the Golden Eagle and Hobby discoveries on this licence.

Mr Young joined EnCore in 2005 as Geoscience Manager and was heavily involved from its inception to its eventual sale to Premier Oil.

In 2012 Mr Young co-founded EnCounter and in 2015 also co-founded Geoscience Services Ltd (GSL) providing technical services for UK Exploration Licensing Rounds. Mr Young is currently Director of EnCounter, Groliffe Ltd and GSL.

Mr Young is a member of APEGA, PESGB and SEG and has presented or co-authored several papers ranging from Environmental Awareness in Exploration to Multi-component AVO Inversion and discovery case histories.

Placement to raise \$1.25 million

In order to provide funding for the progression of Talon's portfolio of UK North Sea assets and plans for future growth, the Company has agreed a placement to sophisticated investors of 416,666,667 shares at an issue price of \$0.003 to raise an amount of \$1.25 million.

Chieftain Securities Pty Ltd is the Corporate Advisor and Lead Manager to the placement, which will be subject to shareholder approval. A notice of meeting will be issued as soon as possible with the meeting planned for early March 2019.

Contact Information

For more information, please contact:

Matt Worner
Managing Director
+61 429 522 924 or matt@talonpetroleum.com.au

Competent Persons Statement

The information in this report that relates to Prospective Resource information in relation to the Skymoos and Rocket Prospects are based on information compiled by Mr Graham Dore and Mr Paul Young, directors of EnCounter Oil Limited. This information was subsequently reviewed by Mr Paul Senyia 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 Senyia is a consultant to the Company, with more than 35 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 Senyia. Mr Senyia 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.

Prospective Resources Reporting Notes (Skymoos and Rocket Prospects reported for the first time)

(i) The prospective resources information in this document is effective as at 1 January 2019 (Listing Rule (LR) 5.25.1). (ii) The prospective resources information in this document has been estimated and is classified in accordance with SPE PRMS (Society of Petroleum Engineers Petroleum Resources Management System) (LR 5.25.2). (iii) The prospective resources information in this document is reported according to the Company's 100% economic interest in each of the resources subject completion of the transaction with EnCounter (LR5.25.5). (iv) The prospective resources information in this document has been estimated and prepared using the deterministic method (LR 5.25.6). (v) The prospective resources information in this document has been estimated using a 6:1 BOE conversion ratio for gas to oil; 6:1 conversion ratio is based on an energy equivalency conversion method and does not represent value equivalency (LR 5.25.7). (vi) The prospective resources information in this document has been estimated on the basis that products are sold on the spot market with delivery at the sales point on the production facilities (LR 5.26.5.) (vii) Prospective resources are reported on a best estimate basis (LR 5.28.1). (viii) For prospective resources, the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons (LR5.28.2). (ix) In respect to the prospective resources referred to in this statement, upon completion of the acquisition of EnCounter, Talon will hold a 100% working interest in two licences (Licence 2363 and Licence 2392), both of which are located on the UK Central North Sea (LR 5.35.1). (x) The prospective resources have been estimated on the following basis (LR5.35.2): the best estimate prospective resource calculation was based on a consideration of offset well information and seismic expression; a combination of volumetric assessment and field analogues have been used to estimate the prospective resources; exploration drilling will be required to assess these resources. (xi) The chance of discovery is considered moderate as the prospective resources are near developed and undeveloped reserves and in a proven oil and gas producing province. There is a risk that exploration will not result in sufficient volumes of oil and/or gas for a commercial development (LR5.35.3). (xii) Prospective resources are un-risked and have not been adjusted for an associated chance of discovery and a chance of development (LR5.35.4)

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.