
TALON PETROLEUM LIMITED

ACN 153 229 086

NOTICE OF GENERAL MEETING

Notice is given that the Meeting will be held at:

TIME: 10AM (AWST)

DATE: 12 March 2019

PLACE: 1202 Hay Street, West Perth WA 6005

The business of the Meeting affects your shareholding and your vote is important.

This Notice of Meeting should be read in its entirety. If Shareholders are in doubt as to how they should vote, they should seek advice from their professional advisers prior to voting.

The Directors have determined pursuant to Regulation 7.11.37 of the Corporations Regulations 2001 (Cth) that the persons eligible to vote at the Meeting are those who are registered Shareholders at 5PM AWST on 8 March 2019.

BUSINESS OF THE MEETING

AGENDA

1. RESOLUTION 1 – APPROVAL TO ISSUE CONSIDERATION SECURITIES TO THE VENDORS PURSUANT TO HEADS OF AGREEMENT

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue up to:

(a) 100,000,000 Consideration Shares; and

(b) 300,000,000 Performance Shares,

on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: the Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. RESOLUTION 2 – CREATION OF A NEW CLASS OF SECURITIES – PERFORMANCE SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

“That, subject to the passing of Resolution 1, for the purpose of Section 246B of the Corporations Act and for all other purposes, the Company is authorised to issue Performance Shares on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: the Company has entered into a Heads of Agreement pursuant to which the Company will acquire certain interests connected to the Acquisition. The Company seeks Shareholder approval for the issue the Performance Shares to the shareholders as part consideration for the Acquisition. The Company requires Shareholder approval under the Corporations Act to issue the Performance Shares as a new class of security. Please refer to the Explanatory Statement for details.

3. RESOLUTION 3 – PLACEMENT – SHARES

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to issue 416,666,667 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who is expected to participate in, or who will obtain a material benefit as a result of, the proposed issue (except a benefit solely by reason of being a holder of ordinary securities in the Company) or an associate of that person (or those persons). However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

4. RESOLUTION 4 – APPROVAL TO PARTICIPATE IN PLACEMENT – PETER STICKLAND

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 10.11 and for all other purposes, approval is given for the Company to issue 5,000,000 Shares to Peter Stickland (or his nominee) at a price of 0.3 cents per Share for a total of \$15,000 on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion Statement: The Company will disregard any votes cast in favour of the Resolution by or on behalf of Peter Stickland (and his nominee) or any of their associates. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

5. RESOLUTION 5 – RATIFICATION OF PRIOR ISSUE – SHARES (LR 7.1)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 153,018,428 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

6. RESOLUTION 6 – RATIFICATION OF PRIOR ISSUE – SHARES (LR 7.1A)

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 86,981,572 Shares on the terms and conditions set out in the Explanatory Statement.”

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

7. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE – OPTIONS

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of ASX Listing Rule 7.4 and for all other purposes, Shareholders ratify the issue of 7,500,000 Options on the terms and conditions set out in the Explanatory Statement."

Voting Exclusion: The Company will disregard any votes cast in favour of the Resolution by or on behalf of a person who participated in the issue or any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Dated: 6 February 2019

By order of the Board

MATT WORNER
Managing Director

Voting in person

To vote in person, attend the Meeting at the time, date and place set out above.

Voting by proxy

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

In accordance with section 249L of the Corporations Act, Shareholders are advised that:

- each Shareholder has a right to appoint a proxy;
- the proxy need not be a Shareholder of the Company; and
- a Shareholder who is entitled to cast 2 or more votes may appoint 2 proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints 2 proxies and the appointment does not specify the proportion or number of the member's votes, then in accordance with section 249X(3) of the Corporations Act, each proxy may exercise one-half of the votes.

Shareholders and their proxies should be aware that changes to the Corporations Act made in 2011 mean that:

- if proxy holders vote, they must cast all directed proxies as directed; and
- any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Should you wish to discuss the matters in this Notice of Meeting please do not hesitate to contact the Company Secretary on +61 8 6319 1900

EXPLANATORY STATEMENT

This Explanatory Statement has been prepared to provide information which the Directors believe to be material to Shareholders in deciding whether or not to pass the Resolutions.

1. BACKGROUND

1.1 Introduction

As announced on 31 January 2019, the Company entered into a binding heads of agreement (**HOA**) to acquire 100% of the issued capital of EnCounter Oil Limited (**EnCounter**) from the existing shareholders of EnCounter (**Vendors**) (**Acquisition**).

The HOA is conditional on satisfactory due diligence and shareholder and regulatory approvals. Details on the HOA is set out in Section 1.3. Further announcements will be made to keep Shareholders updated as the due diligence phase progresses.

The Company is seeking Shareholder approval under Resolution 1 to issue securities as consideration for the Acquisition pursuant to the HOA. The Company is also seeking approval under Resolution 2 for the creation of a new class of securities, being the Performance Shares, which are being issued to the Vendors as part of the consideration for the Acquisition.

1.2 Background to EnCounter and the EnCounter Asset

EnCounter was incorporated in the United Kingdom on 12 March 2012 for the purposes of undertaking oil and gas geotechnical and geophysical services.

EnCounter is the holder of two offshore licences each located in the UK Central Sea (**EnCounter Asset**).

The Acquisition will provide significant opportunities to the Company which is seeking to build its portfolio of oil and gas assets within the UK North Sea. The Company's focus being on its ability to build a sustainable exploration and production business in the UK North Sea through the drilling of low risk exploration and appraisal opportunities.

Details of the EnCounter Assets are set out below:

| Licence | Prospect | Registered Holder |
|---------|----------|-----------------------|
| P2363 | Skymoos | EnCounter Oil Limited |
| P2392 | Rocket | EnCounter Oil Limited |

Further details on the EnCounter Assets are set out in the Company's announcement dated 31 January 2019.

1.3 HOA

The material terms of the HOA are:

- (a) (**Conditions Precedent**): Completion of the Acquisition is conditional upon the satisfaction (or waiver by the Company) of the following conditions precedent:

- (i) completion of financial and legal due diligence investigations by the Company and being to the satisfaction of the Company; and
- (ii) the Company obtaining all necessary shareholder and regulatory approvals or waivers pursuant to the ASX Listing Rules, Corporations Act or any other law to allow the company to lawfully complete the matters set out in the HOA.

The conditions precedent is to be satisfied (or waived by the Company) on or before 6 months after the date of execution of the HOA or any other date agreed between the Parties.

(b) **(Consideration)**: The consideration payable by the Company is as follows:

- (i) issue to the Vendors:
 - (A) 100,000,000 fully paid ordinary shares in the Company (**Consideration Shares**). EnCounter shareholders to enter into voluntary escrow agreements in respect of the Consideration Shares for a period of twelve (12) months from the date of issue.
 - (B) 300,000,000 performance shares each convertible into one ordinary share subject to approval of *the terms of the performance shares* by ASX (**Performance Shares**)

(together, the **Consideration Securities**)

In addition to the above, at Settlement, the Vendors will procure that a directors meeting be held to attend to:

- (i) approval of the registration of the transfer of the EnCounter shares to the Company; and
- (ii) the appointment of the Company's nominees to the board of EnCounter and resignation of the existing directors and officers of EnCounter (to the extent required by the Company).

1.4 Pro-forma Capital Structure

The indicative capital structure of the Company on completion of the Acquisition and Placement (the subject of Resolution 3) is as follows:

| Securities | Shares | Options | Performance Shares |
|------------------------------|----------------------|-------------------------|--------------------------|
| Existing Securities | 1,260,122,858 | 97,683,336 ¹ | Nil |
| Consideration Shares | 100,000,000 | | |
| Performance Shares | | | 300,000,000 ² |
| Placement – See Resolution 3 | 416,666,667 | | |
| TOTAL | 1,776,789,525 | 97,683,336 | 300,000,000 |

Notes

1. Comprising:

(a) 183,336 unlisted options, exercisable at \$0.0675 and expiring 7 March 2019; and

(b) 97,500,000 unlisted option, exercisable at \$0.005 and expiring 31 December 2020 Exercisable

2. Terms and conditions of the Performance Shares are set out in Schedule 1

2. RESOLUTION 1 – APPROVAL TO ISSUE CONSIDERATION SECURITIES TO THE VENDORS

Resolution 1 seeks Shareholder approval for the issue of the Consideration Securities.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

The effect of Resolution 1 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

2.1 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to Resolution 1:

- (a) the maximum number of Consideration Securities to be issued is as follows:
 - (i) 100,000,000 Shares; and
 - (ii) 300,000,000 Performance Shares;
- (b) the Consideration Securities will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that issue of the Consideration Securities will occur on the same day;
- (c) the issue price of the Performance Shares will be nil as they are being issued as part consideration for the Acquisition;
- (d) the Consideration Securities will be issued to the Vendors, who are not related parties of the Company;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (f) the Performance Shares will be issued on the terms and conditions set out in Schedule 1; and
- (g) no funds will be raised from the issue of the Consideration Securities as the Consideration Securities are being issued in consideration for the Acquisition.

3. RESOLUTION 2 - CREATION OF NEW CLASSES OF SECURITIES – PERFORMANCE SHARES

3.1 General

As outlined in Section 1.3(b)(i) as part consideration under the HOA the Company is required to issue 300,000,000 Performance Shares, to the Vendors on settlement.

Resolution 2 seeks Shareholder approval for the Company to be authorised to create the necessary class of and issue the Performance Shares.

The terms and conditions of the Performance Shares are set out in Schedule 1.

3.2 Legal Requirements

Under clause 5.1 of the Company's Constitution and, subject to the Corporations Act and the Listing Rules, the Company may issue shares in the Company on any terms and for any consideration as the Directors resolve.

Section 246B of the Corporations Act provides that the rights attaching to a class of shares may be varied:

- (a) with the written consent of the holders of 75% of the issued shares of the affected class; or
- (a) by special resolution passed at a meeting of the holders of the issued shares of the affected class.

The Company must give written notice of the variation to the members of the affected class within 7 days after the variation is made.

Section 246C(5) of the Corporations Act confirms that if a company with only one class of shares issues a new class of shares, the issue of the new class of shares is taken to vary the rights attached to shares in the existing class if:

- (a) the rights attaching to the new class of shares are not the same as the rights attached to the existing class of shares; and
- (b) the rights attaching to the new class of shares are not provided for in:
 - (i) the company's constitution (if any); or
 - (ii) a notice, document or resolution that is lodged with ASIC.

3.3 Application to the Company

The Company currently has only one class of share on issue being fully paid ordinary shares (**Shares**). The terms of the Performance Shares will not be the same as the Shares and the rights attaching to the Performance Shares are not provided for in the Constitution.

Accordingly, the Company seeks Shareholder approval by special resolution at the Meeting for the creation of a new class of shares known as Performance Shares.

The Performance Shares are proposed to initially be issued in two classes each having a milestone event which triggers their conversion into Shares. The proposed terms and conditions of the Performance Shares are set out in Schedule 1.

In the event Resolution 2 is passed by the requisite majority the Company will give written notice of the variation to the rights attaching to Shares to Shareholders within 7 days.

Resolution 2 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 2 for it to be passed.

4. RESOLUTION 3 – PLACEMENT SHARES

4.1 General

On 31 January 2019, the Company announced that it had received applications to raise approximately \$1,250,000 (before costs) through a placement to sophisticated and professional investors.

Resolution 3 seeks Shareholder approval for the issue of up to 416,666,667 Shares at an issue price of \$0.003 per Share to raise up to \$1,250,000 (**Placement**).

The Company engaged the services of Chieftain Securities Pty Ltd (ACN 608 580 285) (AFSL 492850) (**Chieftain**) to lead manage the Placement.

A summary of ASX Listing Rule 7.1 is set out in section 2.1 above.

The effect of Resolution 3 will be to allow the Company to issue the Shares pursuant to the Placement during the period of 3 months after the Meeting (or a longer period, if allowed by ASX), without using the Company's 15% annual placement capacity.

4.2 Technical information required by ASX Listing Rule 7.1

Pursuant to and in accordance with ASX Listing Rule 7.3, the following information is provided in relation to the Placement:

- (i) the maximum number of Shares to be issued is 416,666,667;
- (ii) the Shares will be issued no later than 3 months after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (iii) the issue price will be \$0.003 per Share;
- (iv) the Shares will be issued to professional and sophisticated investors nominated by Chieftain. None of these subscribers are related parties of the Company (other than as set out in Resolution 4);
- (v) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (vi) the Company intends to use the funds raised from the Placement towards the progression of its portfolio of UK North Sea assets, to seek new investment opportunities and working capital.

5. RESOLUTION 4 – APPROVAL TO PARTICIPATE IN PLACEMENT – PETER STICKLAND

5.1 General

As set out in section 4.1 above, the Company is proposing to undertake a Placement, Peter Stickland a director of the Company, wishes to participate in the Placement (**Stickland Participation**).

5.2 Chapter 2E of the Corporations Act

For a public company, or an entity that the public company controls, to give a financial benefit to a related party of the public company, the public company or entity must:

- (a) obtain the approval of the public company's members in the manner set out in sections 217 to 227 of the Corporations Act; and
- (b) give the benefit within 15 months following such approval,

unless the giving of the financial benefit falls within an exception set out in sections 210 to 216 of the Corporations Act.

The Stickland Participation will result in the issue of Shares which constitutes giving a financial benefit and Mr Stickland is a related party of the Company by virtue of being a director.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required in respect of the Stickland Participation because the Shares to be issued to Mr Stickland are on the same terms as Shares issued to non-related party participants in the Placement and as such the giving of the financial benefit is on arm's length terms.

5.3 Technical Information required by ASX Listing Rule 10.13

Pursuant to and in accordance with ASX Listing Rule 10.13, the following information is provided in relation to the Stickland Participation:

- (a) the Shares will be issued to Peter Stickland (or his nominee);
- (b) the maximum number of Shares to be issued is 5,000,000;
- (c) the Shares will be issued no later than 1 month after the date of the Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the issue price will be \$0.003 per Share, being the same as all other Shares issued under the Placement;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the funds raised will be used for the same purposes as all other funds raised under the Placement as set out in section 4.2(vi) of this Explanatory Statement.

Approval pursuant to ASX Listing Rule 7.1 is not required for the Stickland Participation as approval is being obtained under ASX Listing Rule 10.11.

Accordingly, the issue of Shares to Peter Stickland (or his nominee) will not be included in the use of the Company's 15% annual placement capacity pursuant to ASX Listing Rule 7.1.

6. RESOLUTIONS 5 AND 6 – RATIFICATION OF PRIOR ISSUE SHARES

6.1 General

On 5 November 2018, the Company announced that it had entered into an agreement with Corallian Energy Group Limited (**Corallian**) for the acquisition of a 10% interest in exploration licence P2396 situated in the Central Graben area of the UK North Sea (**Curlew-A Acquisition**).

In order to fund the Curlew-A Acquisition, the Company issued 240,000,000 Shares at an issue price of \$0.003 per Share to raise \$720,000.

153,018,428 Shares were issued pursuant to the Company's capacity under ASX Listing Rule 7.1A which was approved by Shareholders at the annual general meeting held on 24 May 2018 and 86,981,572 Shares were issued pursuant to the Company's capacity under ASX Listing Rule 7.1.

Resolutions 5 and 6 seek Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Shares (**Ratification**).

6.2 Resolution 5 – ASX Listing Rule 7.1

A summary of ASX Listing Rule 7.1 is set out in section 2.1b above.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

6.3 Resolution 6 – ASX Listing Rule 7.1A

ASX Listing Rule 7.1A provides that in addition to issues permitted without prior shareholder approval under ASX Listing Rule 7.1, an entity that is eligible and obtains shareholder approval under ASX Listing Rule 7.1A may issue or agree to issue during the period for which the approval is valid a number of quoted equity securities which represents 10% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period as adjusted in accordance with the formula in ASX Listing Rule 7.1.

Where an eligible entity obtains shareholder approval to increase its placement capacity under ASX Listing Rule 7.1A then any ordinary securities issued under that additional placement capacity:

- (a) will not be counted in variable "A" in the formula in ASX Listing Rule 7.1A; and
- (b) are counted in variable "E",

until their issue has been ratified under ASX Listing Rule 7.4 (and provided that the previous issue did not breach ASX Listing Rule 7.1A) or 12 months has passed since their issue.

By ratifying the issue the subject of Resolution 6, the base figure (i.e. variable "A") in which the Company's 15% and 10% annual placement capacities are calculated will be a higher number which in turn will allow a proportionately higher number of securities to be issued without prior Shareholder approval. Although, it is noted that the Company's use of the 10% annual placement capacity following this Meeting remains conditional on Resolution 6 being passed by the requisite majority.

6.4 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 240,000,000 Shares were issued on the following basis:
 - (i) 153,018,428 Shares issued pursuant to ASX Listing Rule 7.1; and
 - (ii) 86,981,572 Shares issued pursuant to ASX Listing Rule 7.1A;
- (b) the issue price was \$0.003 per Share under both the issue of Shares pursuant to ASX Listing Rule 7.1 and ASX Listing Rule 7.1A;
- (c) the Shares issued were all fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;
- (d) the Shares were issued to sophisticated and professional investor clients of Chieftain Securities Pty Ltd. None of these subscribers are related parties of the Company; and
- (e) the funds raised from this issue were used to provide funding for the Curlew-A Acquisition and other potential North Sea acquisitions.

7. RESOLUTION 7 – RATIFICATION OF PRIOR ISSUE OPTIONS

7.1 General

On 5 November 2018, the Company issued 7,500,000 Options in consideration for services provided by Paul Senyica.

Resolution 7 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of those Options (**Ratification**).

A summary of ASX Listing Rules 7.1 and 7.4 is set out in section 1.2 and 6.4 above.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

7.2 Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to the Ratification:

- (a) 7,500,000 Options were issued;

- (b) the Options were issued for nil cash consideration in satisfaction of services provided by Paul Senyica;
- (c) the Options will be issued on the terms and conditions set out in Schedule 2;
- (d) the Options were issued to Paul Senyica, who is not a related party of the Company; and
- (e) no funds were raised from this issue as the Options were issued in consideration for services provided.

GLOSSARY

\$ means Australian dollars.

ASIC means the Australian Securities & Investments Commission.

ASX means ASX Limited (ACN 008 624 691) or the financial market operated by ASX Limited, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Board means the current board of directors of the Company.

Business Day means Monday to Friday inclusive, except New Year's Day, Good Friday, Easter Monday, Christmas Day, Boxing Day, and any other day that ASX declares is not a business day.

Chair means the chair of the Meeting.

Company means Talon Petroleum Limited (ACN 153 229 086).

Constitution means the Company's constitution.

Corporations Act means the *Corporations Act 2001* (Cth).

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

General Meeting or **Meeting** means the meeting convened by the Notice.

Notice or **Notice of Meeting** means this notice of meeting including the Explanatory Statement and the Proxy Form.

Placement means the placement of 416,666,667 Shares at an issue price of \$0.003 that is subject to Resolution 3.

Proxy Form means the proxy form accompanying the Notice.

Resolutions means the resolutions set out in the Notice, or any one of them, as the context requires.

Section means a section of the Explanatory Statement.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a registered holder of a Share.

WST means Western Standard Time as observed in Perth, Western Australia.

SCHEDULE 1 – TERMS AND CONDITIONS OF PERFORMANCE SHARES

1. GENERAL

- (a) **(Performance Shares)** Each Performance Share is a share in the capital of Talon.
- (b) **(General Meetings)** The Performance Shares shall confer on the holder **(Holder)** the right to receive notices of general meetings and financial reports and accounts of Talon that are circulated to shareholders. The Holder has the right to attend general meetings of shareholders of Talon.
- (c) **(No Voting Rights)** The Performance Shares do not entitle the Holder to vote on any resolutions proposed at a general meeting of shareholders of Talon.
- (d) **(No Dividend Rights)** The Performance Shares do not entitle the Holder to any dividends.
- (e) **(Rights on Winding Up)** Upon winding up of the Company, the Performance Shares may not participate in the surplus profits or assets of the Company.
- (f) **(Not Transferable)** The Performance Shares are not transferable.
- (g) **(Reorganisation of Capital)** If at any time the issued capital of Talon is reconstructed, all rights of the Holder will be changed to the extent necessary to comply with the applicable ASX Listing Rules at the time of reorganisation.
- (h) **(Application to ASX)** The Performance Shares will not be quoted on ASX. However, upon conversion of the Performance Shares into fully paid ordinary shares **(Ordinary Shares)** Talon must within seven (7) days after the conversion, apply for the official quotation of the Ordinary Shares arising from the conversion on ASX.
- (i) **(No Other Rights)** The Performance Shares give the Holder no rights other than those expressly provided by these terms and those provided at law where such rights at law cannot be excluded by these terms.
- (j) **(Participation in Entitlements and Bonus Issues)** Holders of Performance Shares will not be entitled to participate in new issues of capital offered to holders of the Ordinary Shares such as bonus issues and entitlement issues.
- (k) **(Reconstruction)**
 - (i) If there is a reconstruction (including, consolidation, subdivision, reduction or return) of the issued capital of Talon, the basis for adjustment of the conversion of Performance Shares into Ordinary Shares will be reconstructed in the same proportion as the issued capital of Talon is reconstructed and in a manner which will not result in any additional benefits being conferred on the Holder which are not conferred on the Shareholders of Talon, (subject to the same provisions with respect to rounding of entitlements as sanctioned by the meeting of shareholders approving the reconstruction of capital) but in all other respects

the terms for conversion of the Performance Shares will remain unchanged.

- (ii) The adjustments of this term will, subject to the ASX Listing Rules, be determined by Talon.

2. Conversion and Redemption of the Performance Shares

- (a) **(Milestone)** If the following performance hurdles are satisfied on or before 30 September 2021 (**Milestone Determination Date**), the Performance Shares will convert into Ordinary Shares as follows:

- (i) **(Class A Performance Share)**: upon the achievement of Talon entering into a farm-in or joint venture arrangement, pursuant to which it be provided with sufficient funding to progress its exploration work programme located at the Skymoos Prospect (Licence 2363) from a Phase A to a Phase C programme. The satisfaction of the Class A Performance Share milestone to be evidenced by Talon providing written notice to the Oil and Gas Authority (**OGA**); and
- (ii) **(Class B Performance Share)** upon the achievement of Talon entering into a farm-in or joint venture arrangement, pursuant to which it be provided with sufficient funding to progress its exploration work programme located at the Rocket Prospect (Licence 2392) from a Phase A to a Phase C programme. The satisfaction of the Class B Performance Share milestone to be evidenced by Talon providing written notice to the OGA.

(each referred to as a **Milestone**)

- (b) **(Redemption if Milestones not achieved)** If any of the Performance Milestones set out in item 2 above are not achieved by the Milestone Determination Date, then an amount of Performance Shares corresponding to such unachieved Performance Milestone will be automatically redeemed by Talon for the sum of \$0.000001 per Performance Share within 10 business days of the Milestone Determination Date.
- (c) **(Conversion Procedure)** Talon will issue the Holder with a new holding statement for the Ordinary Shares as soon as practicable following the conversion of the Performance Shares into Ordinary Shares in accordance with condition 2(a).
- (d) **(Ranking of Shares)** The Ordinary Shares into which the Performance Shares will convert will rank pari passu in all respects with existing Ordinary Shares.

SCHEDULE 2 – TERMS AND CONDITIONS OF OPTIONS

(a) **Entitlement**

Each Option entitles the holder to subscribe for one Share upon exercise of the Option.

(b) **Exercise Price**

Subject to paragraph (i), the amount payable upon exercise of each Option will be \$0.005 (**Exercise Price**).

(c) **Expiry Date**

Each Option will expire at 5:00 pm (WST) on 31 December 2020 (**Expiry Date**). An Option not exercised before the Expiry Date will automatically lapse on the Expiry Date.

(d) **Exercise Period**

The Options are exercisable at any time on or prior to the Expiry Date (**Exercise Period**).

(e) **Notice of Exercise**

The Options may be exercised during the Exercise Period by notice in writing to the Company in the manner specified on the Option certificate (**Notice of Exercise**) and payment of the Exercise Price for each Option being exercised in Australian currency by electronic funds transfer or other means of payment acceptable to the Company.

(f) **Exercise Date**

A Notice of Exercise is only effective on and from the later of the date of receipt of the Notice of Exercise and the date of receipt of the payment of the Exercise Price for each Option being exercised in cleared funds (**Exercise Date**).

(g) **Timing of issue of Shares on exercise**

Within 15 Business Days after the Exercise Date, the Company will:

- (i) issue the number of Shares required under these terms and conditions in respect of the number of Options specified in the Notice of Exercise and for which cleared funds have been received by the Company;
- (ii) if required, give ASX a notice that complies with section 708A(5)(e) of the Corporations Act, or, if the Company is unable to issue such a notice, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors; and
- (iii) if admitted to the official list of ASX at the time, apply for official quotation on ASX of Shares issued pursuant to the exercise of the Options.

If a notice delivered under (g)(ii) for any reason is not effective to ensure that an offer for sale of the Shares does not require disclosure to investors, the Company must, no later than 20 Business Days after becoming aware of such notice being

ineffective, lodge with ASIC a prospectus prepared in accordance with the Corporations Act and do all such things necessary to satisfy section 708A(11) of the Corporations Act to ensure that an offer for sale of the Shares does not require disclosure to investors.

(h) **Shares issued on exercise**

Shares issued on exercise of the Options rank equally with the then issued shares of the Company.

(i) **Reconstruction of capital**

If at any time the issued capital of the Company is reconstructed, all rights of an Optionholder are to be changed in a manner consistent with the Corporations Act and the ASX Listing Rules at the time of the reconstruction.

(j) **Participation in new issues**

There are no participation rights or entitlements inherent in the Options and holders will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options without exercising the Options.

(k) **Change in exercise price**

An Option does not confer the right to a change in Exercise Price or a change in the number of underlying securities over which the Option can be exercised.

(l) **Transferability**

The Options are not transferrable.

Subdivision 83A-105 (6) (b) (ii) of the Income Tax Assessment Act 1997 applies to the options granted.

PROXY FORM

TALON PETROLEUM LIMITED
ACN 153 229 086

GENERAL MEETING

I/We

of:

being a Shareholder entitled to attend and vote at the Meeting, hereby appoint:

Name:

OR: ☐ the Chair of the Meeting as my/our proxy.

or failing the person so named or, if no person is named, the Chair, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Meeting to be held at 10AM AWST, on 12 March 2019 at 1202 Hay Street West Perth WA 6005, and at any adjournment thereof.

CHAIR'S VOTING INTENTION IN RELATION TO UNDIRECTED PROXIES

The Chair intends to vote undirected proxies in favour of all Resolutions. In exceptional circumstances the Chair may change his/her voting intention on any Resolution. In the event this occurs an ASX announcement will be made immediately disclosing the reasons for the change.

Voting on business of the Meeting

| | | FOR | AGAINST | ABSTAIN |
|--------------|--|--------------------------|--------------------------|--------------------------|
| Resolution 1 | Approval to issue Consideration Securities to the Vendors | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 2 | Creation of a New Class of Securities – Performance Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 3 | Placement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 4 | Approval for Director to Participate in Placement | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 5 | Ratification of prior issue of Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 6 | Ratification of prior issue of Shares | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |
| Resolution 7 | Ratification of prior issue of Options | <input type="checkbox"/> | <input type="checkbox"/> | <input type="checkbox"/> |

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

If two proxies are being appointed, the proportion of voting rights this proxy represents is: _____ %

Signature of Shareholder(s):

Individual or Shareholder 1

Sole Director/Company Secretary

Shareholder 2

Director

Shareholder 3

Director/Company Secretary

Date: _____

Contact name: _____

Contact ph (daytime): _____

E-mail address: _____

Consent for contact by e-mail
in relation to this Proxy Form:

YES ☐ NO ☐

Instructions for completing Proxy Form

1. **(Appointing a proxy):** A Shareholder entitled to attend and cast a vote at the Meeting is entitled to appoint a proxy to attend and vote on their behalf at the Meeting. If a Shareholder is entitled to cast 2 or more votes at the Meeting, the Shareholder may appoint a second proxy to attend and vote on their behalf at the Meeting. However, where both proxies attend the Meeting, voting may only be exercised on a poll. The appointment of a second proxy must be done on a separate copy of the Proxy Form. A Shareholder who appoints 2 proxies may specify the proportion or number of votes each proxy is appointed to exercise. If a Shareholder appoints 2 proxies and the appointments do not specify the proportion or number of the Shareholder's votes each proxy is appointed to exercise, each proxy may exercise one-half of the votes. Any fractions of votes resulting from the application of these principles will be disregarded. A duly appointed proxy need not be a Shareholder.
2. **(Direction to vote):** A Shareholder may direct a proxy how to vote by marking one of the boxes opposite each item of business. The direction may specify the proportion or number of votes that the proxy may exercise by writing the percentage or number of Shares next to the box marked for the relevant item of business. Where a box is not marked the proxy may vote as they choose subject to the relevant laws. Where more than one box is marked on an item the vote will be invalid on that item.
3. **(Signing instructions):**
 - **(Individual):** Where the holding is in one name, the Shareholder must sign.
 - **(Joint holding):** Where the holding is in more than one name, all of the Shareholders should sign.
 - **(Power of attorney):** If you have not already provided the power of attorney with the registry, please attach a certified photocopy of the power of attorney to this Proxy Form when you return it.
 - **(Companies):** Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held. In addition, if a representative of a company is appointed pursuant to Section 250D of the Corporations Act to attend the Meeting, the documentation evidencing such appointment should be produced prior to admission to the Meeting. A form of a certificate evidencing the appointment may be obtained from the Company.
4. **(Attending the Meeting):** Completion of a Proxy Form will not prevent individual Shareholders from attending the Meeting in person if they wish. Where a Shareholder completes and lodges a valid Proxy Form and attends the Meeting in person, then the proxy's authority to speak and vote for that Shareholder is suspended while the Shareholder is present at the Meeting.
5. **(Return of Proxy Form):** To vote by proxy, please complete and sign the enclosed Proxy Form and return by:
 - (a) post to Talon Petroleum, PO Box 1976, West Perth Western Australia 6872 or
 - (b) email to the Company at info@talonpetroleum.com.au,

so that it is received not less than 48 hours prior to commencement of the Meeting.

Proxy Forms received later than this time will be invalid.