

Shareholder Update

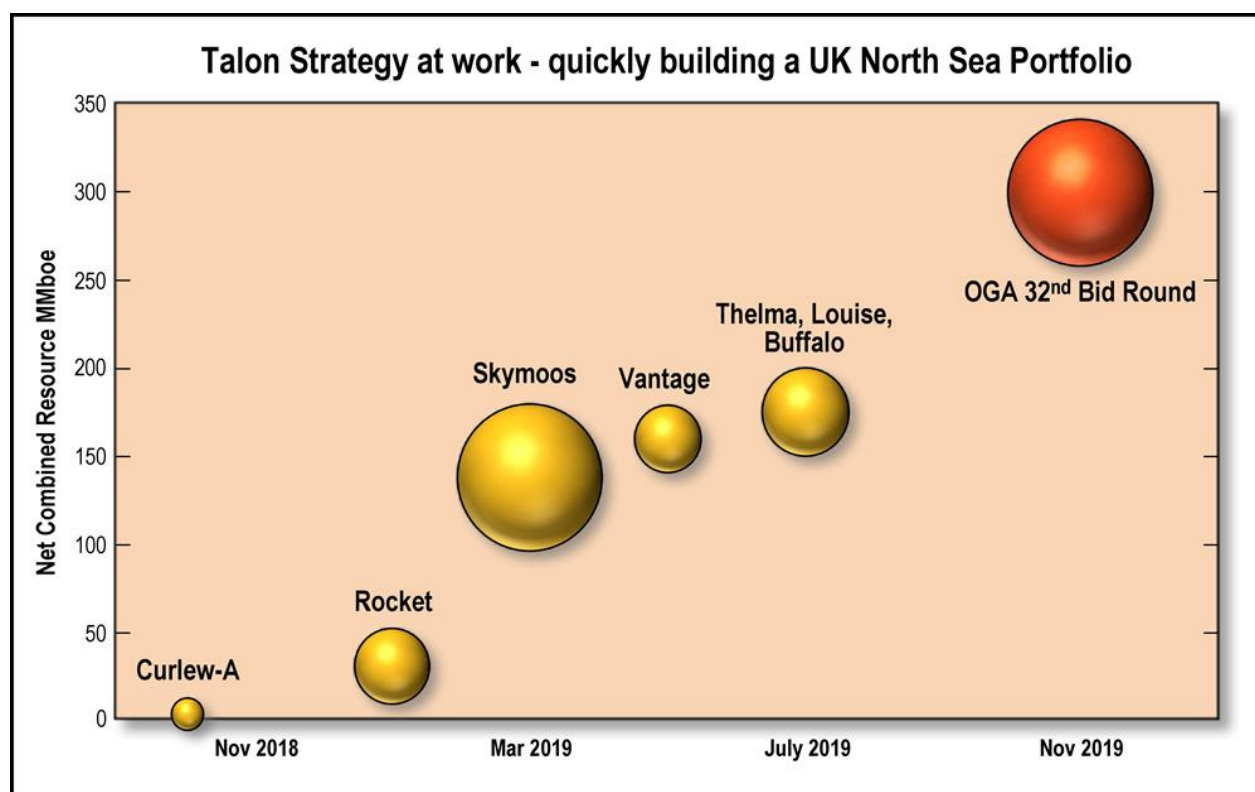
Dear Shareholder,

2019 has seen Talon Petroleum ('Talon' or 'the Company') successfully put in place key elements of its North Sea strategy, and 2020 is shaping up as a year where we can mature that strategy and achieve some tangible results for shareholders.

Our UK North Sea strategy is focused on:

- **Identifying and targeting entry into value accretive project opportunities via bid rounds and other acquisition methods**
- **Farming-out for carry into exploration activity, retaining non-operated equity positions of up to 20%**
- **Targeting low-risk plays with the potential to tie-back to nearby infrastructure**

Consistent with this approach, throughout 2019 we successfully established a diversified portfolio of high impact exploration and low-risk appraisal prospects in the UK North Sea.



The Company's major milestone in 2019 was the acquisition of EnCounter Oil Limited (**EnCounter**)

This transaction brought two important assets and significant expertise to your Company and marked the first major step forward in establishing Talon as a credible player in the North Sea.

In addition to the Skymoos and Rocket Prospects, the EnCounter acquisition has provided us unrivalled regional technical knowledge, allowing Talon to identify and assess opportunities, and build a high-quality asset portfolio to attract exploration and development partners.

EnCounter was created by former members of EnCore Oil plc, a UK North Sea-focused company responsible for significant hydrocarbon discoveries at Breagh, Cladhan, Catcher, Varadero and Burgman. EnCore listed on the AIM in 2006 and was acquired by Premier Oil six years later for £221 million.

Graham Doré and Paul Young, founding members of EnCore and EnCounter and two highly experienced UK North Sea explorers agreed to join the Talon team, with Graham joining the board as a Non-Executive Director.

In June, Talon was very pleased to welcome Steve Jenkins to the Board as a Non-Executive Director. Steve brings considerable UK North Sea experience as well as a history of success in the region, having been the founder and CEO of Nautical Petroleum plc. Nautical listed on AIM with a single exploration asset and was sold to Cairn Energy 7 years later for £414 million.

We have seen immediate value in retaining such accomplished and proven executives, and we are pleased that Graham, Paul and Steve will be helping drive our unique North Sea strategy.

Over the past 12 months Talon has built a highly prospective acreage position in the UK North Sea.

Five licenses were acquired through the acquisition of EnCounter and regular participation in competitive UK Oil and Gas Authority (OGA) licensing rounds.

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

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 are required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

The Company expects to grow this portfolio through our recent submissions in the 32nd licensing round. We submitted multiple applications in November which target 12 exploration prospects and if successful, would add significant additional prospective resources to our current exciting exploration portfolio.

Talon's licence bids are supported by a geological and financial strategy. We have targeted proven stratigraphic trap plays in areas of the Central North Sea, that come with initial low-cost work programs. Our technical team has experienced significant success with these geological plays, resulting in the discovery of some of the region's most significant hydrocarbon discoveries.

We expect the OGA to announce the results of the 32nd licensing round by Q2 2020, with 2020 shaping up to be an exciting year for Talon.

At the heart of Talon's strategy are our farmout efforts for the portfolio. The level of interest and quality of parties reviewing Talon's projects is pleasing and we have multiple well-qualified parties active in our dataroom. We are targeting execution of deals as early as possible in the New Year.

Additionally, we recognise that the UK North Sea can provide opportunities for Talon to further grow its portfolio by leveraging the Company's significant regional experience. Our key driver is to create shareholder value and we are alive to a range of opportunities that will deliver on this goal.

The UK North Sea has experienced a revival in interest following the 250mmboe Glengorm discovery in early 2019. This was the biggest discovery in the UK since Culzean in 2008. The acquisition by Neptune Energy of North Sea oil fields from Edison E&P for US\$280m and the purchase by Petrogas of North Sea assets from Total for \$510 million are some examples of recent active deal flow in the region.

On behalf of your Board, I would like to thank all shareholders for their ongoing support of Talon. We have made much progress, and although it's not reflected in our current valuation, we have developed a very strong platform to take Talon to the next level.

Your sincerely,

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Authorised for lodgement by the Board.

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