
TALON PETROLEUM

WALYERING FARM-IN

REVISITING AN EXISTING DISCOVERY FROM A NEW PERSPECTIVE

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Competent Persons Statement The information in this report that relates to Prospective Resource information in relation to the Skymoos and Rocket, Vantage, Thelma, Louise and Buffalo Prospects are based on information compiled by Mr Graham Dore and Mr Paul Young. Mr Dore and Mr Young are a Director and consultant to the Company respectively. 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 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 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.

Information in this report that relates to Prospective Resource information in relation to the Walyering Prospect and Contingent Resource information in relation to Ocean Hill is based on Prospective Resource and Contingent Resource information compiled by Strike Energy Limited, the operator both EP447 and EP495. Reference should be made to ASX announcement made by Strike Energy Limited on 9 June 2020 titled "*Greater Erregulla and Walyering Update*" in respect of Walyering and the Ocean Hill 2C Contingent Resource is sourced from the ASX announcement of Strike Energy Limited (ASX:STX) dated 17 February 2020 titled "Exploration Portfolio Update".

WALYERING FARM-IN

OPPORTUNITY SUMMARY



Value Proposition

- ✓ Talon Petroleum (TPD) to farm-in to EP447 (Walying) with Strike Energy (STX). **TPD will earn a 45% interest and Right of First Refusal (ROFR) over EP495 (Ocean Hill) for funding first \$6M of \$9M Walying appraisal well**
- ✓ Operator STX has been highly successful in analogous plays and is regarded as a **Perth Basin expert with a proven track record** of project delivery and unlocking significant shareholder value
- ✓ Opportunity to add 45% of a booked in place **Prospective Resource of 86 BCF gas and 2.18 mmbbl condensate (Best/P50) and 142 BCF gas and 3.6 mmbbls condensate (High/P10)¹**
- ✓ Transaction includes **additional upside potential** via ROFR should STX look to sell or farmout Ocean Hill which currently has a gross **2C Resource of 360 BCF gas and 1.2 mmbbls condensate²**
- ✓ **Walying appraisal well to be added to STX CY2021 Perth Basin drilling program.** STX has rig on long term contract and a slot identified
- ✓ **Immediate re-rating** with near term drilling activity which will provide Talon Petroleum (TPD) with the time and optionality to optimise value from its North Sea assets

1. Refer to Strike Energy Limited ASX announcement dated 9 June 2020 for more information on prospective resources
2. Refer to Strike Energy Limited ASX announcement dated 17 February 2020 for more information on contingent resources

WALYERING FARM-IN

OPPORTUNITY SUMMARY



Rationale

- Proven hydrocarbon province with 3 wells confirming presence of sweet liquids-rich gas (~25bbl/mmscf of condensate) with only **1% CO₂**.
- New data and interpretation has provided some important insights into putting original technical challenges into perspective.
- Walyering is based on an analogous dataset and interpretation to West Erregulla-2 where **similar amplitude blooms have proven to be excellent indicators of gas charged permeable reservoirs**.
- Considerable **liquids component value-add** with minimal processing and consequently low development costs.
- Newly acquired 3D over Walyering has also greatly improved understanding of **analogous Ocean Hill opportunity**.
- Delays to Browse and mounting challenges for other LNG projects is seeing WA gas supply being stretched sooner than previously predicted with **NWS now a potential market for Perth Basin gas**.
- **Energy analysts have gone from “Bears to Bulls” on the west coast gas thematic which has been flipped on it’s head**, with shortfalls from 2024 expected for longer, representing an ideal opportunity for Perth Basin gas to fill the void in the interim, if not permanently. **No reason why we cant see east coast company metrics for west coast project valuations**.
- Walyering is ideally placed near infrastructure reducing development and production costs.
- Strike’s existing gas contracts could see **early commercialisation of any discovery**.

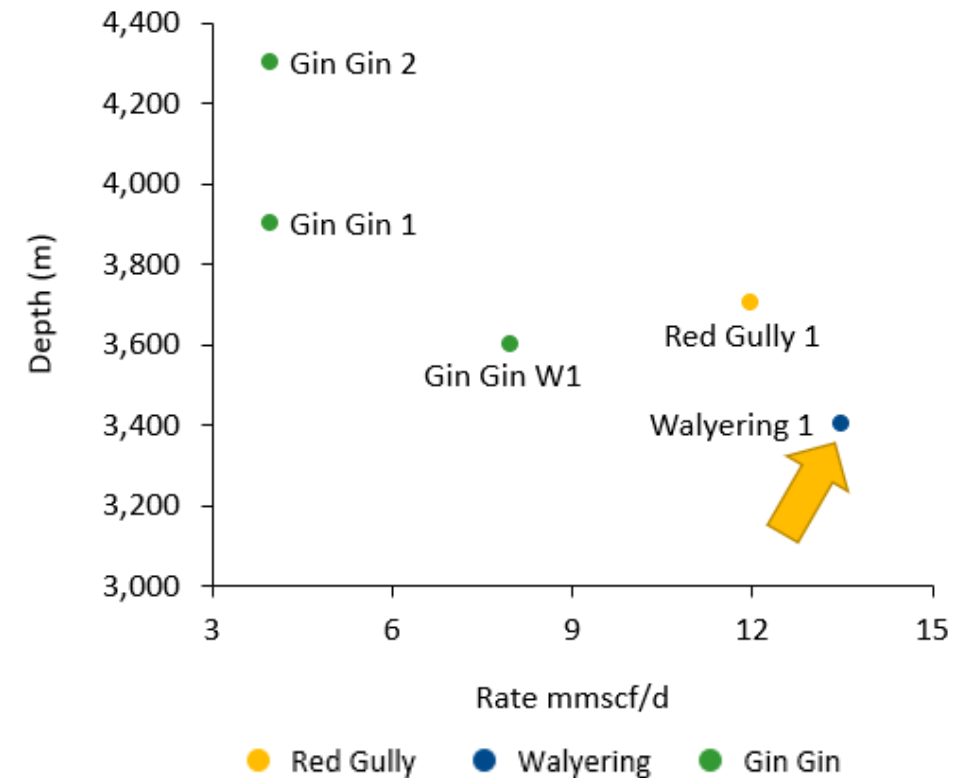
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TECHNICAL SUMMARY

Background

- Walyering-1 discovery drilled in 1971 to a depth of 3350m in the Cattamarra
- Walyering-1 flow tested at 13.5mmscfd
- Walyering-2&3 multiple gas zones but RTSM, and Walyering-4 water wet
- Notwithstanding the variable results Walyering compares favourably with other plays in the basin where Cattamarra sandstone porosities can exceed 14%
- Importantly Walyering well results (good and bad) can be correlated with **seismic amplitude responses**
- **Recent work by STX has shown that wells need to target coarser-grained, thick sand packages taking reservoir compartmentalisation into account**
- The Walyering 3D data has been crucial in reconciling past results

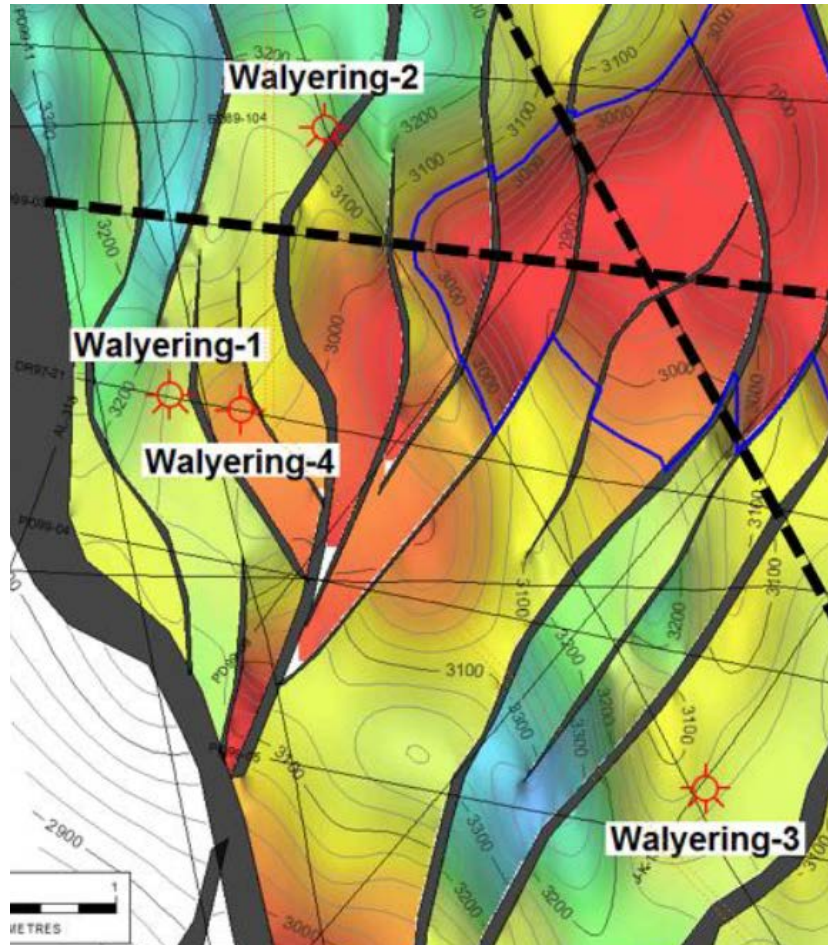
Jurassic Cattamarra Historical Flow Rates



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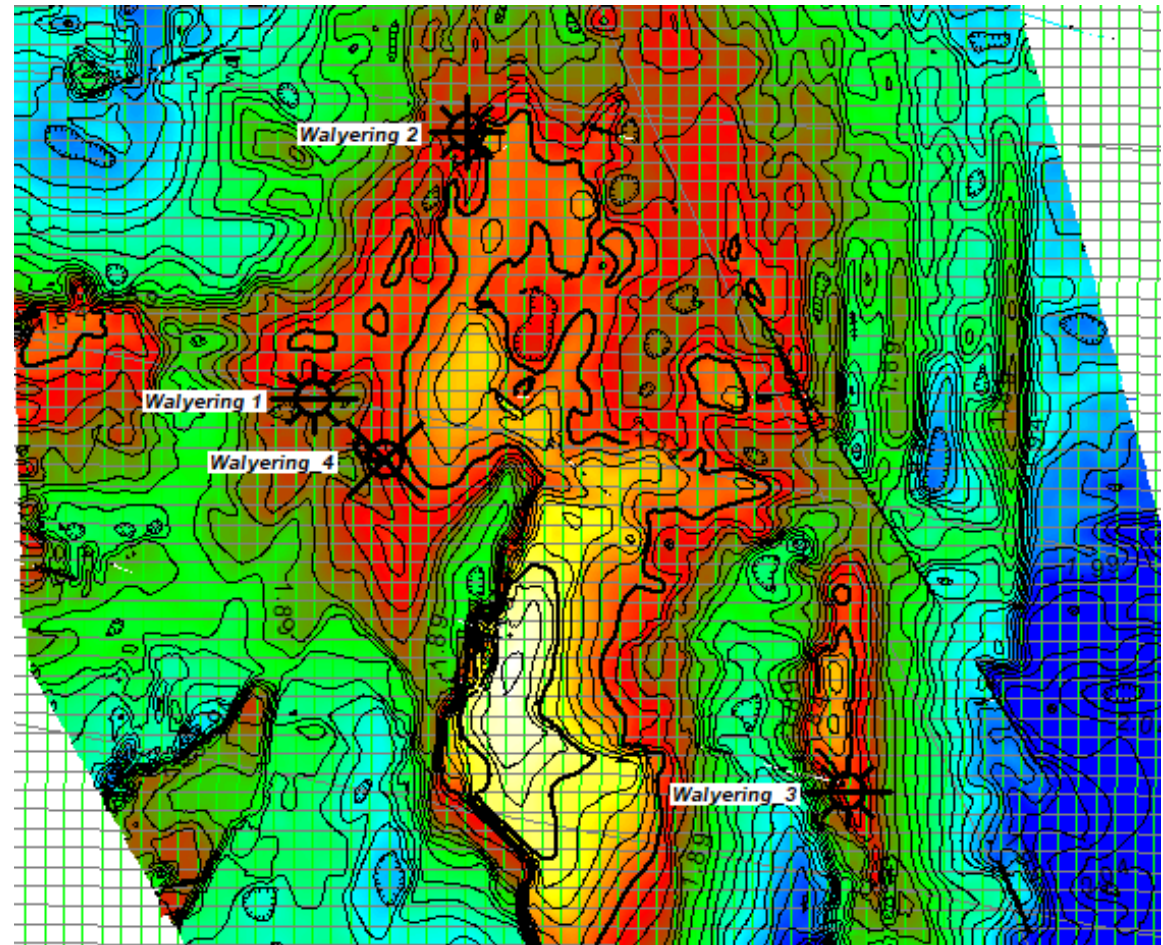
2D vs 3D SEISMIC MAPPING

Walyering 2D map: near A Sand



OLD MAP: 2D Based

Walyering 3D map: near A Sand

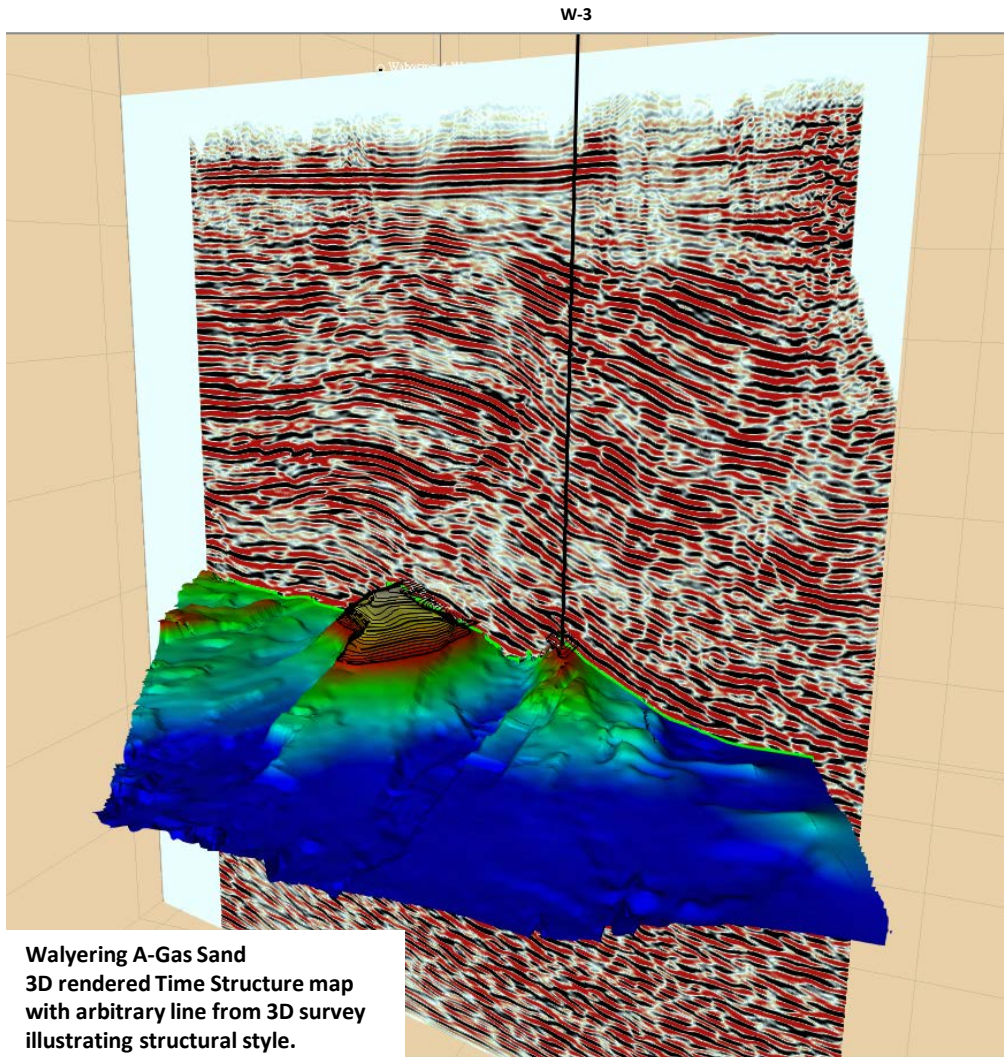


NEW MAP: 3D Based

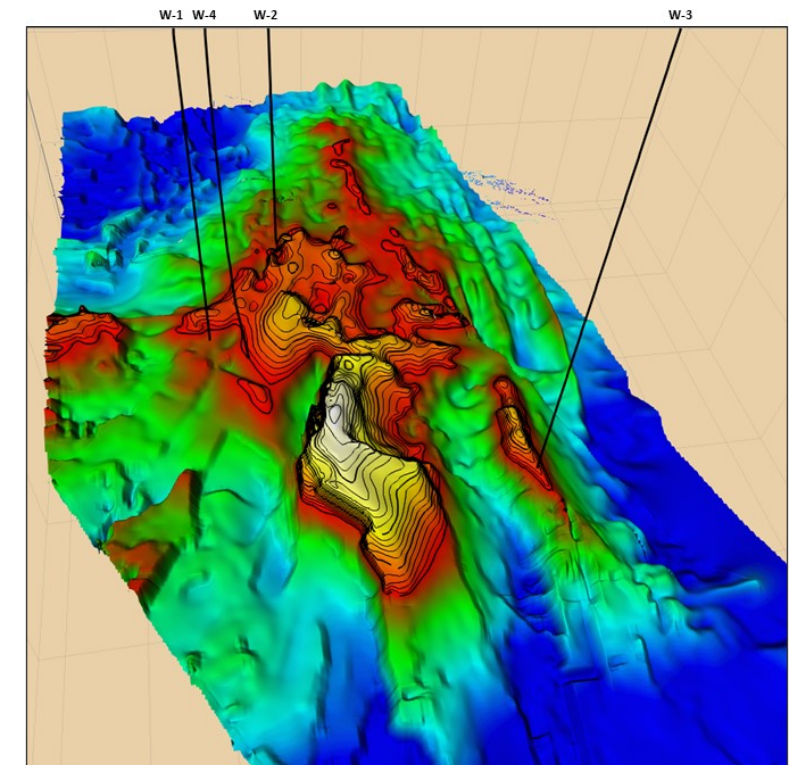
New data is putting past results into context and has greatly improved structural resolution

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3D VISUALIZATION – TIME STRUCTURE

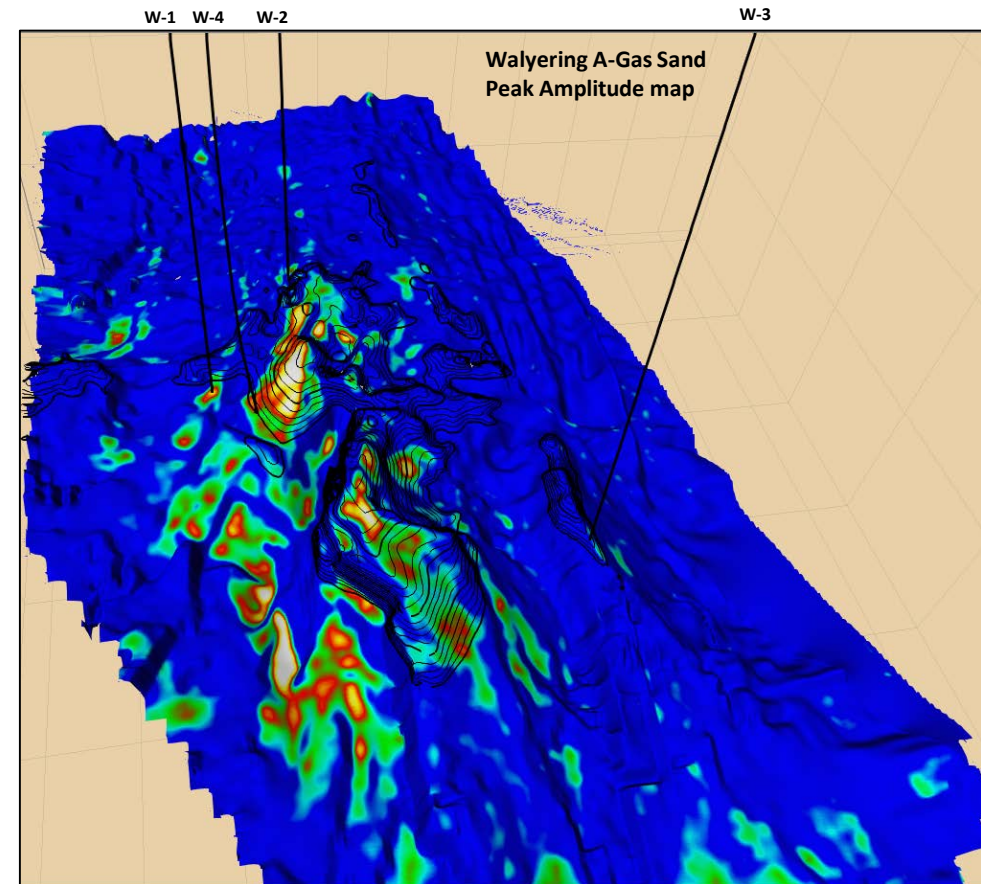
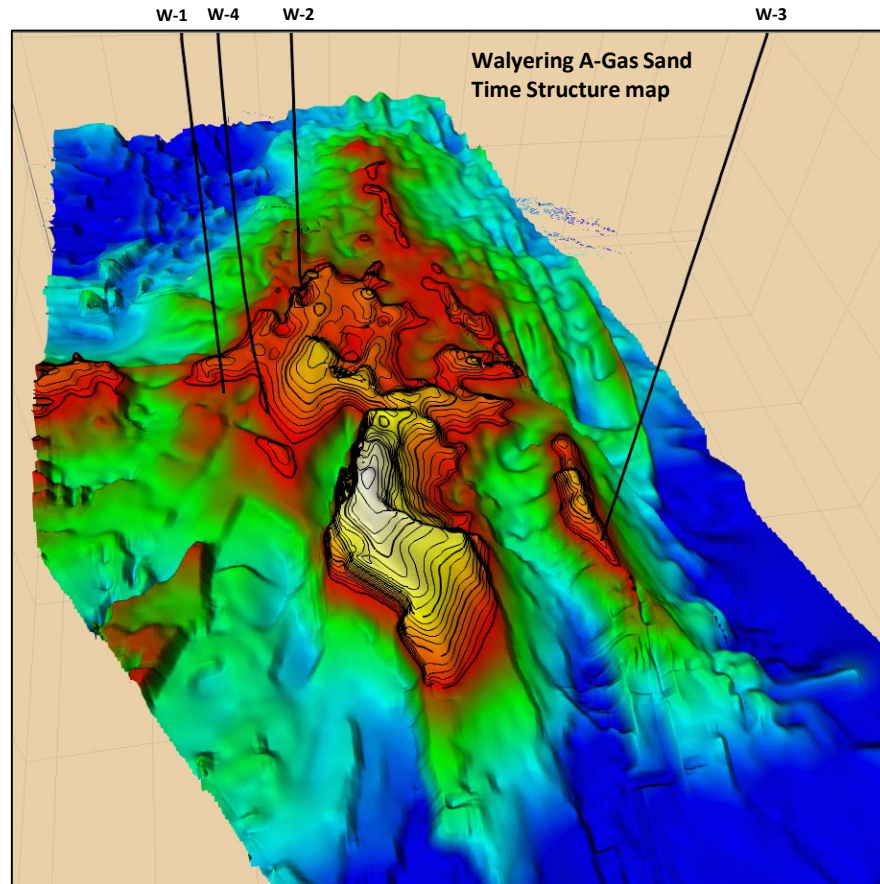


- Walyering 3D was acquired in 2019 and final processed cubes delivered in Q2 2020.
- The Walyering Structure comprises several linked fault blocks in an extensional setting.
- These fault blocks are linked to form a grossly antiformal structure with 4-way dip closure.
- Main closure updip of Walyering-4 comprises two separate, compartmentalized fault blocks.
- Observed geometries and amplitudes correlate well with previous 4 wells drilled into the structure.



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3D VISUALIZATION – TIME STRUCTURE & AMPLITUDE



- Amplitudes in the A-sand form a pseudo-linear pattern suggestive of fluvial channels
- While some amplitudes appear structurally conformable (see above W-4) other blooms occur in small fault panels down-dip of mapped structural closure
- Modelling shows amplitude blooms are primarily lithological with secondary influence from fluid-fill

...its clear that this must be reconciled with amplitude modelling to get the whole story

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3D VISUALIZATION – TIME STRUCTURE & AMPLITUDE

Amplitude Analysis

Walying-1

- Conventional gas discovery that flowed from multiple zones up to 13.5mmscf/d
- Watered out after 0.25 BCF

Evidence on new 3D Data:

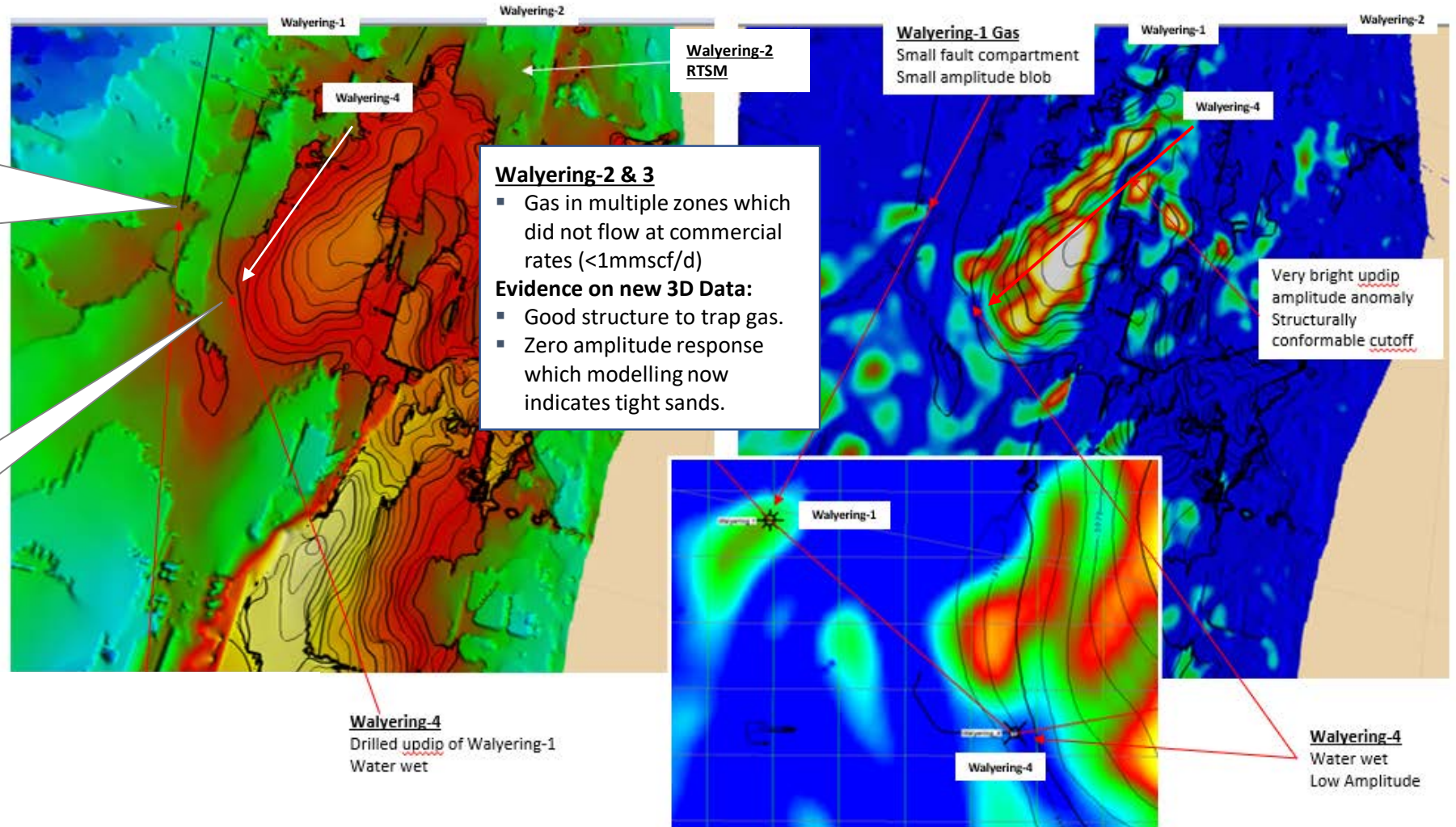
- Small faulted compartment (hence low recovery)
- Amplitude response evident over well bottom hole location indicating conventional quality coarse channel sands.

Walying-4

- Water wet sands

Evidence on new 3D Data:

- Structural map shows bottom hole location entered into the water leg and was downdip of the gas water contact



Amplitude analysis clearly shows why Walying-1 watered out and Walying-4 was a dry hole

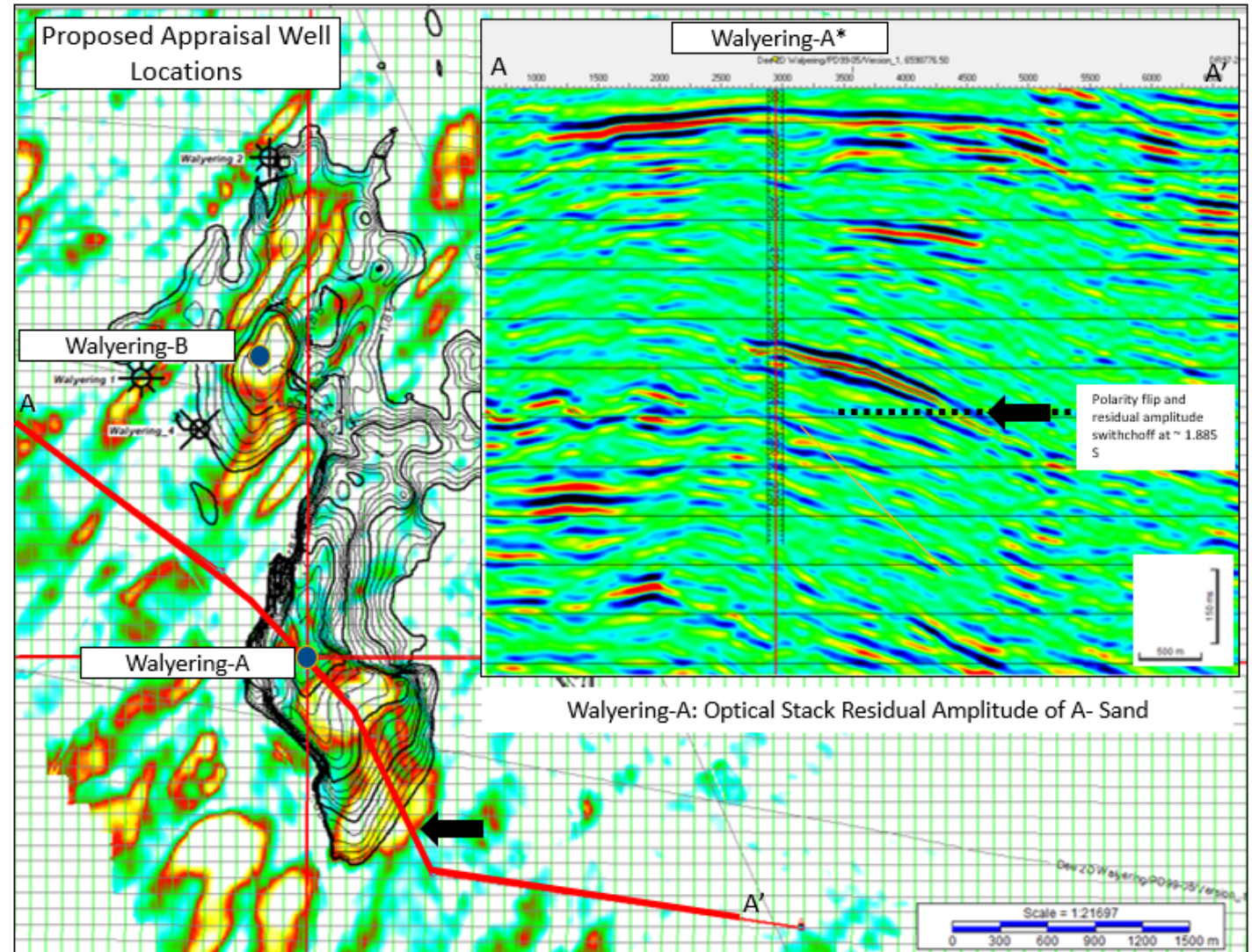
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WELL LOCATION

Critical for success

- Understanding what controls structuring/compartimentalisation and optimal/thick reservoir development
- Understanding past results and putting them into context with new 3D seismic data.
- Correlating amplitude blooms with improved reservoir characteristics, targeting coarse grained channel sands with better reservoir development

3D data and analogous experience where similar amplitude blooms have proven to be excellent indicators of gas charged permeable reservoirs has greatly reduced the exploration risk at Walyering

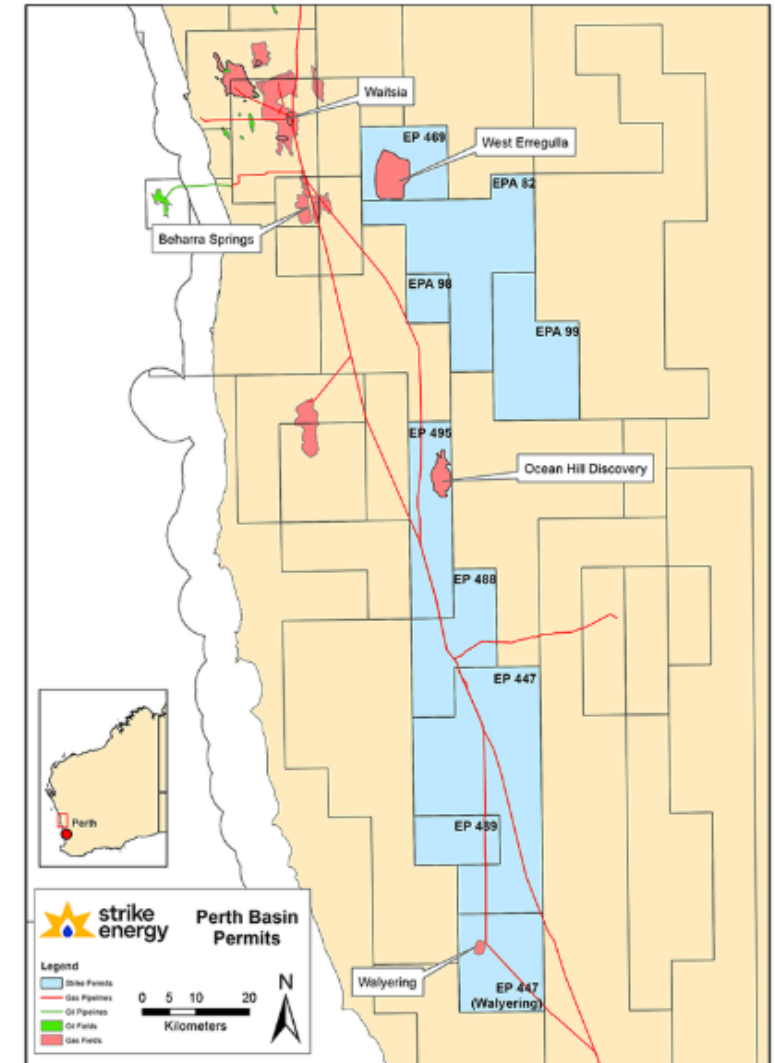


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MARKET ACCESS & INFRASTRUCTURE

Early access to market

- Ideally located with proven path to market, and conveniently located between the Pamela and Dampier to Bunbury gas pipelines
- Gas quality in Walyearing & Ocean Hill-1 tested with **less than 1% CO₂** and no other major impurities. This is consistent with other Cattamarra well tests and production
- Value add from wet gas – **condensate yield of ~25bbls/mmscf and 6-7bbls/mmscf gas** for Walyearing & Ocean Hill respectively
- Proximity of infrastructure and gas quality means that Walyearing & Ocean Hill may support a very low cost, fast paced development, with excellent margin
- With Strike having gas customers in WA, there is opportunity for Walyearing to supply gas into quality contracts very quickly
- Mineral sands energy consumers in very close proximity to Walyearing field
- **Significant and ongoing gas shortages are forecast for WA within the next 3 to 4 years**



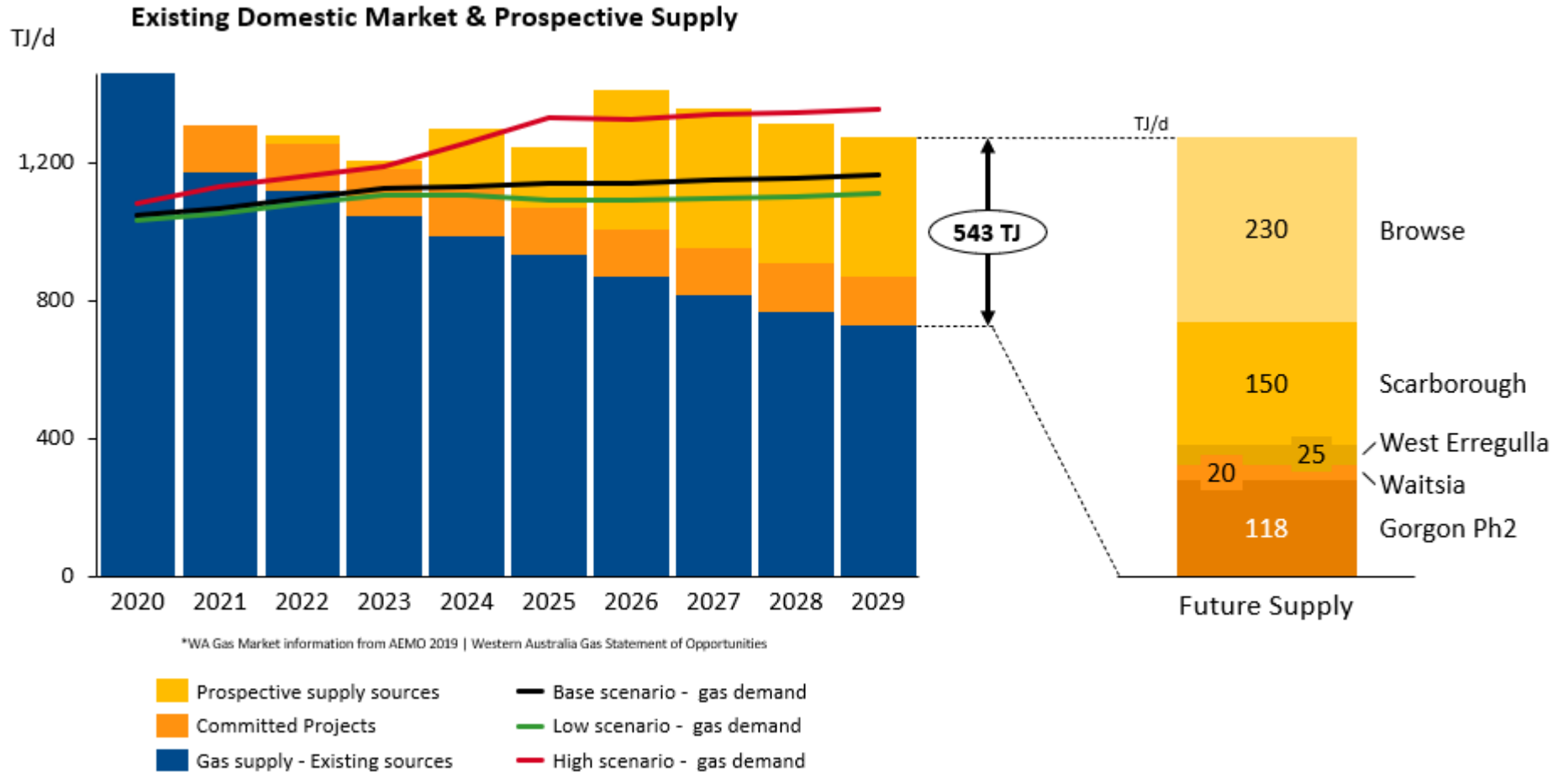
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W.A. MARKET DYNAMICS



New sources of supply required to meet demand

- 70% of future volume needed to meet WA domestic market demand in the 2020s is subject to major LNG investment decisions
- Perth Basin gas can provide the fast to market option at prices more competitive than LNG breakeven



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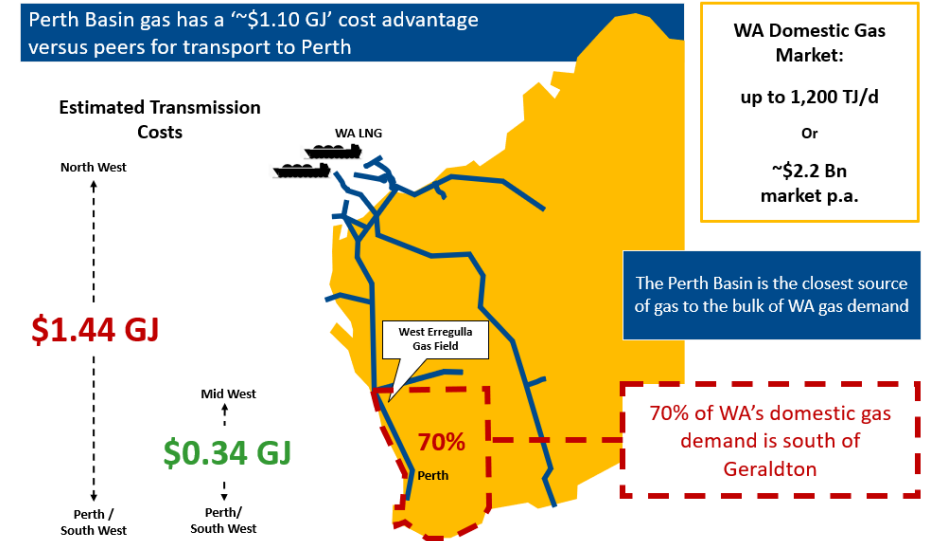
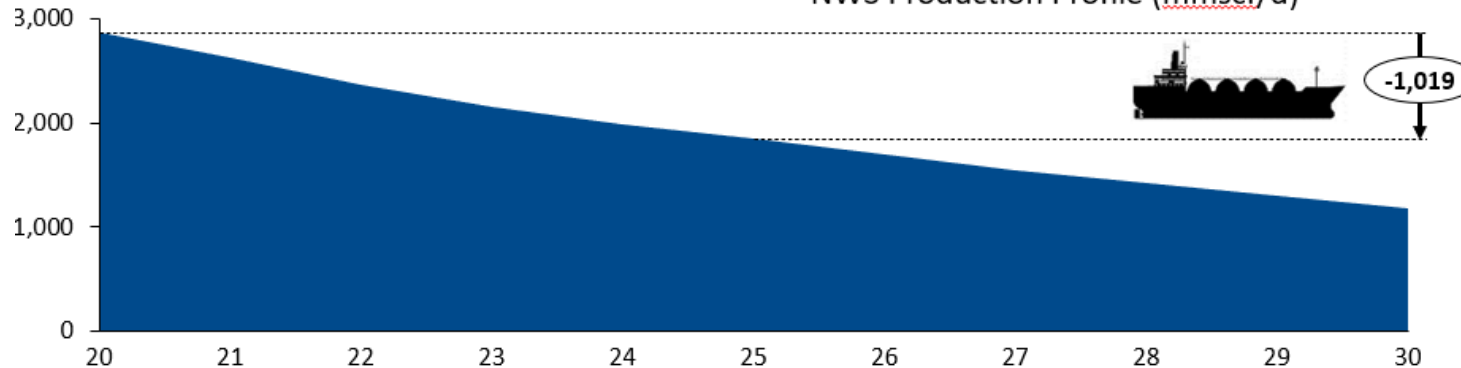
W.A. MARKET DYNAMICS



The North West Shelf Opportunity

- Browse materially deferred, into 2030's
- North West Shelf in steep decline, will be seeking 1 bcf/d of back fill by 2025
- Mitsui and Beach doing the 'heavy lifting' on the path to providing backfill to the Shelf from the Perth Basin
- Analysts have quoted prices of A\$6.50 at the gate of the NWS (transmission est ~\$1 GJ or less if swap contract executed)

NWS Production Profile (mmscf/d)



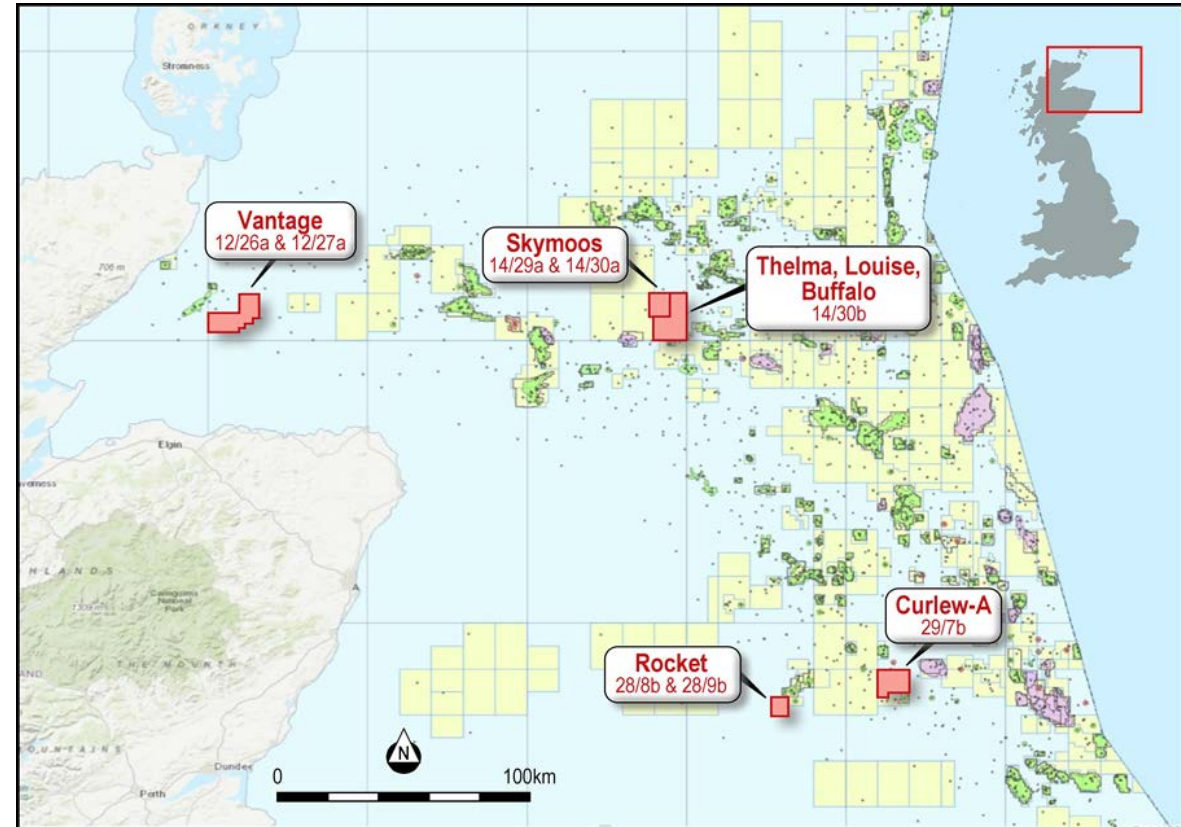
Meeting domestic demand...

- **Notwithstanding the NWS provides market certainty for all uncontracted WA gas volumes, Waylering & Ocean Hill have:**
 - A location and tariff advantage to meet WA's looming domestic gas shortfall and;
 - Access to infrastructure and an Operator with existing gas contracts and market experience

PORTFOLIO DIVERSITY

NORTH SEA ASSETS – FARMOUT ONGOING

- Skymoos Prospect (107mmboe best estimate prospective resource)¹
- Vantage Prospect (44 mmbo gross best estimate prospective resource)²
- Rocket Prospect (27 mmbo best estimate prospective resource)³
- Curlew-A (3.9mmboe net 2C contingent resource)⁴
- Block 14/30B⁵:
 - Thelma Prospect (29mmbo (best estimate))
 - Louise Prospect (17mmbo (best estimate))
 - Buffalo Prospect (160Bcf (best estimate))
- **Highly experienced UK North Sea finders Graham Dore (EnCore), Paul Young (Encore) and Steven Jenkins (Nautical Petroleum) on Talon team**
- Talon team has had considerable exploration success with prospect play types, yielding some of the most significant UKCS oil and gas discoveries in the past two decades
- **Talon team have done it before with Encore acquired by Premier Oil in 2011 for £221mm and Nautical acquired by Cairn for £414mm**



1 and 3 - Refer to ASX announcement dated 31 January 2019 for more information on prospective resources

2. Refer to ASX announcement dated 5 June 2019 for more information on prospective resources

4. Refer to ASX announcement dated 26 October 2018 for more information on contingent resources

5. Refer to ASX announcement dated 23 July 2019 for more information on prospective resources

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