



ABN 88 153 229 086

Entitlement Offer Booklet

Fully underwritten non renounceable entitlement offer of 1 new share for every 1 existing share at A\$0.011 per new share to raise up to A\$1.12 million.

The Entitlement Offer opens on 31 July 2014 and closes at 5pm (Brisbane time) on 18 August 2014 (unless extended). Valid applications must be received before that time.

**NOT FOR DISTRIBUTION OR RELEASE IN
THE UNITED STATES**

THIS IS AN IMPORTANT DOCUMENT WHICH IS ACCOMPANIED BY A PERSONALISED ENTITLEMENT AND ACCEPTANCE FORM AND BOTH SHOULD BE READ IN THEIR ENTIRETY. PLEASE CALL YOUR STOCKBROKER, ACCOUNTANT, FINANCIAL ADVISER, TAXATION ADVISER OR OTHER INDEPENDENT PROFESSIONAL ADVISER OR THE SHARE REGISTRY IF YOU HAVE ANY QUESTIONS.

Talon Petroleum Limited ABN 88 153 229 086

Important information	4
Key offer terms	6
Letter from the Chairman & Managing Director	8
Entitlement Offer	10
1. Details of the Entitlement Offer	10
1.1 The Entitlement Offer	10
1.2 Purpose of the Entitlement Offer	11
1.3 Underwriting	11
1.4 Issue of New Shares	11
1.5 ASX quotation	11
1.6 Application Money	11
1.7 Market prices for Shares on ASX	11
1.8 Foreign Shareholders	11
1.9 Taxation implications	12
1.10 Risks	12
1.11 Regular reporting and disclosure	12
1.12 Rights and liabilities attaching to New Shares	13
1.13 Disclaimer	13
1.14 Financial amounts	13
1.15 Privacy	13
1.16 Governing Law	13
2. Required Actions	13
2.1 Eligible Shareholders – Australia and New Zealand	13
2.2 Payment	14
2.3 Declining all or part of your Entitlement	15
2.4 Foreign Shareholders	16
2.5 Warranties made on acceptance of Entitlement Offer	16
2.6 Refunds	17
2.7 Confirmation of your application and managing your holding	17
2.8 Withdrawals	18
Key risks	19
1. Introduction	19
2. Risk factors	19
ASX announcement	23
Additional information	25
1. Required Actions	25
1.1 Effect of the Entitlement Offer on capital structure	25
1.2 Impact on control	25
1.3 Directors	25

2.	ASX	25
3.	Taxation	26
3.2	Income tax	26
3.3	New Shares	26
3.4	Goods and Services Tax and Stamp Duty	27
4.	Underwriting	27
5.	Information availability	27
	Glossary	29
	Corporate Directory	31

Enquiries

Before making a decision about investing in the Entitlement Offer, you should seek advice from your stockbroker, accountant, financial adviser, taxation adviser or other independent professional adviser to determine whether it meets your objectives, financial situation and needs.

If you have any questions on how to:

- (a) complete the personalised Entitlement and Acceptance Form accompanying this Offer Booklet which Eligible Shareholders may use to apply for New Shares;
- (b) take up the New Shares offered to you under the Entitlement Offer, either in full or in part; or
- (c) take up your full Entitlement and apply for Additional New Shares,

please call the Share Registry between 8:30am and 5:00pm (Brisbane time) Monday to Friday during the Entitlement Offer Period:

Within Australia: 1300 552 270

Outside Australia: +61 3 9415 4000.

If you have lost your Entitlement and Acceptance Form and would like a replacement form, please call the number above. Alternatively, you may download a replacement form by logging onto www.investorcentre.com and clicking the 'Holding Enquiry' tab. Replacement Entitlement and Acceptance Forms can be found under 'My Documents' once logged on. If you are not an existing Investor Centre member, you will need to follow the steps to register as a member.

Website

To view annual reports, shareholder and company information about Talon, announcements and background information on Talon's operations, visit the Talon website at www.talonpertroleum.com.au.

Important information

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

No cooling-off rights

No cooling-off rights apply to a subscription for New Shares or Additional New Shares under the Entitlement Offer. This means that you cannot withdraw your application once it has been accepted.

This is not a Prospectus or Product Disclosure Statement

The 1 for 1 non-renounceable Entitlement Offer of New Shares is not being made under a prospectus or product disclosure statement under the Corporations Act. Rather, the Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow entitlement offers to be made by providing certain confirmations to the market. As a result, it is important for Eligible Shareholders to read and understand the information on Talon and the Entitlement Offer made publicly available, prior to accepting all or part of their Entitlement. In particular, please refer to the information in this Offer Booklet, Talon's annual reports and other announcements made available at www.talonpetroleum.com.au or www.asx.com.au.

This booklet or material accompanying it has not been registered, filed with or approved by any New Zealand regulatory authority under the *Securities Act 1978* (New Zealand). This booklet or material accompanying it is not an investment statement or prospectus under New Zealand law and is not required to, and may not, contain all the information that an investment statement or prospectus under New Zealand law is required to contain.

Persons receiving this Offer Booklet should be aware that Talon has not had regard to their individual circumstances or needs, including their personal taxation or financial position, in sending this Offer Booklet and accompanying information to them. Talon is not licensed to provide financial product advice to any person in relation to the Shares, New Shares, Additional New Shares or Entitlements. Persons with any doubts about investing in the Entitlement Offer should seek professional advice before making any investment decision.

Disclosures regarding forward-looking statements

This Offer Booklet and material referred to in it contains certain 'forward-looking statements'. Forward-looking statements include those containing words such as: 'anticipate', 'believe', 'expect', 'project', 'forecast', 'estimate', 'likely', 'intend', 'should', 'could', 'may', 'target', 'plan', 'consider', 'foresee', 'aim', 'will' and other similar expressions. Any forward-looking statements, opinions and estimates provided in this Offer Booklet are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and uncertainties and other factors which are beyond the control of Talon, including the risks and uncertainties described in the *Key Risks* section of this Offer Booklet. This includes any statements about market and industry trends, which are based on interpretations of current market conditions.

Forward-looking statements may include indications, projections, forecasts and guidance on sales, earnings, dividends, distributions and other estimates. Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumptions on which those statements are based. These statements may assume the success of Talon's business strategies. The success of any of these strategies is subject to uncertainties and contingencies beyond Talon's control, and no assurance can be given that any of the strategies will be effective or that the anticipated benefits from the strategies will be realised in the period for which the forward-looking statement may have been prepared or otherwise. Readers are cautioned not to place undue reliance on forward-looking statements and except as required by law or

regulation, Talon assumes no obligation to update these forward-looking statements. To the maximum extent permitted by law, the Directors, Talon, the Underwriter and any of their respective related bodies corporate and affiliates, and their officers, partners, employees, agents, associates and advisers disclaim any obligations or undertaking to release any updates or revisions to the information in this Offer Booklet to reflect any change in expectations or assumptions, do not make any representation or warranty, express or implied, as to the accuracy, reliability or completeness of such information, or likelihood of fulfilment of any forward-looking statement or any event or results expressed or implied in any forward-looking statement, and disclaim all responsibility and liability for these forward-looking statements (including, without limitation, liability for negligence).

Foreign investors

The information in this Offer Booklet does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register or qualify the Entitlement Offer, the Entitlements or the New Shares, or otherwise permit a public offering of the New Shares, in any jurisdiction outside of Australia and New Zealand.

This Offer Booklet and any material accompanying it may not be released or distributed in the United States. This Offer Booklet and any material accompanying it does not constitute an offer to sell, or a solicitation of an offer to buy, any securities in the United States. None of the Entitlements, the New Shares nor the Additional New Shares have been, nor will be, registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States. The Entitlements may not be taken up by persons in the United States and the New Shares and the Additional New Shares may not be offered or sold to persons in the United States, except in transactions exempt from, or not subject to, the registration requirements of the Securities Act and the applicable securities laws of any state or other jurisdiction of the United States. The New Shares and the Additional New Shares to be offered and sold in the Retail Entitlement Offer may only be offered and sold outside the United States in 'offshore transactions' (as defined in Rule 902(h) under the Securities Act) in compliance with Regulation S under the Securities Act.

Disclosure

None of the Underwriter (whether in that capacity or otherwise) nor any of its related bodies corporate and affiliates, nor any of their respective directors, officers, partners, employees, representatives or agents make any recommendations as to whether you or your related parties should participate in the Entitlement Offer, nor do they make any representations or warranties to you (or other statements upon which you may rely) concerning this Entitlement Offer or any such information. The engagement of the Underwriter by Talon is not intended to and does not create any agency, custodial, fiduciary or other legal relationship between the Underwriter and any Shareholder or other investor.

Currency

All references to A\$, \$A, dollar or \$ in this Offer Booklet are to Australian currency. References to US\$ or USD are references to the currency of the United States of America.

Other general matters

Please see the 'Additional information' section of this Offer Booklet for other important notices, disclaimers and acknowledgements.

Key offer terms

Key offer terms	
Issue Price	A\$0.011 per New Share payable in full on Application
Entitlement	1 New Share for every 1 Existing Share held on the Record Date
Discount to the last closing price before the announcement of the Entitlement Offer (21 July 2014)	15.4%
Approximate number of New Shares to be issued under the Entitlement Offer	102,615,433 New Shares
Amount to be raised under the Entitlement Offer (excluding expenses)	Approximately A\$1.12 million
Approximate number of Shares following the Entitlement Offer	205,230,866 Shares

This Offer Booklet is dated 22 July 2014. The following are key indicative dates relating to the Entitlement Offer.

Event	Time
ASX announcement of the Entitlement Offer, lodgement of Appendix 3B and cleansing notice	22 July 2014
Ex Date – date on which Shares commence trading without an entitlement to participate in the Entitlement Offer	24 July 2014
Record Date (7.00 pm Brisbane time) for entitlement to participate in Entitlement Offer	28 July 2014
This Offer Booklet and Entitlement and Acceptance Forms dispatched to Eligible Shareholders and dispatch announced to ASX	31 July 2014
Opening Date for the Entitlement Offer	31 July 2014
Closing Date for lodgement of Entitlement and Acceptance Forms and payment	18 August 2014
Deferred settlement trading commences	19 August 2014
ASX notified of under subscriptions	21 August 2014
Issue of New Shares and Additional New Shares under the Entitlement Offer	25 August 2014
Dispatch of holding statements for New Shares and Additional New Shares	26 August 2014
New Shares and Additional New Shares commence normal trading on ASX	26 August 2014

Dates and times in this Offer Booklet are indicative only and are subject to change. All times and dates refer to Brisbane time.

The Company reserves the right to amend this indicative timetable at any time and in particular, subject to the Corporations Act and ASX Listing Rules, to extend the latest date for receipt of Application and Entitlement Forms, to accept late Application and Entitlement Forms either generally or in particular cases, or to cancel the Entitlement Offer without prior notice. Any extension of the closing date will have a consequential effect on the issue date of New Shares.

Applications are encouraged to submit their personalised Entitlement and Acceptance Forms as soon as possible. No cooling-off rights apply to applications submitted under the Entitlement Offer.

The commencement of quotation of New Shares is subject to confirmation from ASX.

Your Entitlement is non-renounceable, which means that it is non-transferable and that you will not be able to trade your entitlement on ASX. Shareholders who take no action in respect of their Entitlement will receive no benefit and their Entitlement will lapse.

Letter from the Chairman & Managing Director

22 July 2014

Dear Eligible Shareholder,

Entitlement Offer to raise up to approximately A\$1.12 million

On behalf of the Directors of the Company, we are pleased to invite you to participate in this fully underwritten non-renounceable entitlement offer.

This Entitlement Offer provides you with the opportunity to subscribe for one New Share for every one Existing Share held at 7pm (Brisbane time) on 28 July 2014 at an issue price of A\$0.011 per New Share. The Issue Price represents a discount of approximately 15.4% to the closing price of Talon's Shares on ASX on Monday 21 July 2014, which is the last full day Shares traded on ASX before the announcement of the Entitlement Offer.

The Entitlement Offer will raise up to approximately A\$1.12 million (before costs) and is fully-underwritten by Morgans Corporate Limited. Directors Jeff Forbes, Angus Douglas and Bruce Cowley and entities associated with them intend to take up their Entitlements where available. They (directly or through their associated entities) will also act as sub-underwriters to the Underwriter. New Shares issued under the Entitlement Offer will rank equally with Existing Shares.

When combined with the Company's current cash balance of approximately A\$1.7 million¹ as at 30 June 2014, the Company will hold approximately A\$2.8 million following successful completion of the Entitlement Offer, which will ensure the Company is funded for its immediate forward work program, which primarily consists of appraisal drilling. The currently proposed targets are at the Company's:²

- Mosman Rockingham (MR) Olmos assets (approximately A\$0.64 million (US\$0.6 million));
- East Banks - Rodessa assets (approximately A\$0.54 million (US\$0.5 million)); and
- Coolangatta assets (approximately A\$0.32 million (US\$0.3 million)).

Drilling of the East Banks - Rodessa assets is dependent upon finalization of leasing work, sell down and lease title clearance and drilling of MR Olmos and the Coolangatta assets is dependent upon finalization of leasing work, and should any of these targets fail to materialize, the Company plans to utilize the funds raised under the Entitlement Offer for appraisal drilling at the Company's other projects.

Costs associated with the Offer (of approximately A\$130,000) will be met from the Company's cash reserves.

The objective for the Board since the establishment of Talon has been to add value to Talon's oil and gas properties by pursuing the strategy of undertaking proof of concept wells in its acreage by partnering with larger and more established industry players. In doing this, the intention is to hold a small equity position in the individual wells but retain a large position in the overall acreage.

In addition, and in line with this strategy, we have also focused on reducing the Company's cost base to something more appropriate for our size and resources. This remains a work in progress, and the Company continues to remove non-operating costs out of the business, so that more funds can be allocated to exploration and appraisal of the Company's exciting portfolio of assets.

¹ Using A\$1 = US\$0.93 exchange rate.

² Using A\$1 = US\$0.93 exchange rate.

The Entitlement Offer

This Offer Booklet contains details about the Entitlement Offer, instructions on how to participate in the Entitlement Offer and risk factors relevant to an investment in the Company.

It is important that you carefully read this Offer Booklet and the other publicly available information about the Company on our website (www.talonpetroleum.com.au) and consider in particular the risk factors set out in the Key Risks section before making any investment decision. If you have any doubt about whether you should participate in the Entitlement Offer, you should seek professional financial advice without delay. With this Offer Booklet you will also find your Application and Entitlement Form which details your Entitlement and provides instructions on how to participate in the Entitlement Offer.

The closing date for the receipt of Application and Entitlement Forms and application money for the Entitlement Offer is 5pm (Brisbane time) on 18 August 2014. If you decide to take this opportunity to increase your investment in the Company please ensure that, before this time, your completed Application and Entitlement Form and your application money are received by the Share Registry, or you have paid your application money by BPAY® in accordance with the instructions set out in the enclosed Application and Entitlement Form and Required Actions section of this Offer Booklet.

If you do not wish to take up any of your Entitlement, you do not have to take any action.

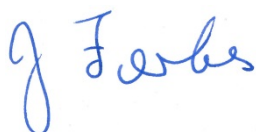
Eligible Shareholders may also apply for New Shares in excess of their Entitlement, although any application for Additional New Shares may be scaled back at the Company's discretion.

Entitlements are non-renounceable and will not be tradeable on ASX or otherwise transferable.

Shareholders who do not take up their Entitlements in full will not receive any value in respect of the Entitlements they do not take up, and their percentage shareholding in the Company will be reduced following the issue of New Shares.

On behalf of the Directors, we thank you for your continued support as a shareholder and comment the Entitlement Offer to you. We also look forward to successful drilling results at the Company's MR Olmos, East Banks - Rodessa and Coolangatta assets.

Yours sincerely,



Jeff Forbes
Chairman



Clifford Foss Jr.
Managing Director, CEO and President

Entitlement Offer

1. Details of the Entitlement Offer

1.1 The Entitlement Offer

Each Eligible Shareholder is entitled to subscribe for 1 New Share for every 1 Existing Share held on the Record Date.

Eligible Shareholders may also apply for Additional New Shares in excess of their Entitlement. The allocation of any Additional New Shares will be limited to the extent that there are sufficient New Shares available from Eligible shareholders who do not take up their full Entitlement. Additional New Shares will only be allocated to Eligible Shareholders if and to the extent that Talon so determines, in its absolute discretion.

The Entitlement Offer is non renounceable. This means that Shareholders who do not take up their Entitlements by 5.00pm (Brisbane Time) on the Closing Date of 18 August 2014, will not receive any payment or value for those Entitlements and their proportionate equity interest in the Company will be diluted.

The number of New Shares to which you are entitled is shown on the accompanying Application and Entitlement Form. Fractional entitlements to New Shares have been rounded up to the nearest whole number of New Shares. If you have more than one registered holding of Shares, you will be sent more than one personalised Application and Entitlement Form and you will have separate Entitlements for each separate holding.

New Shares issued under the Entitlement Offer will be fully paid and rank equally with existing Shares on issue, including in respect of entitlement to dividends. If you take no action you will not be allocated any New Shares and your Entitlement will lapse.

To qualify to participate in the Entitlement Offer, a Shareholder must:

- (a) be registered as a Shareholder at 7pm (Brisbane time) on the Record Date;
- (b) have an address in Australia or New Zealand, other than certain institutional shareholders and investors in foreign jurisdictions determined by the Directors, as recorded on the Company's share register as at the Record Date;
- (c) not be in the United States and not be acting for the account or benefit of a person in the United States; and
- (d) be eligible under all applicable securities laws to receive an offer under the Entitlement Offer without any requirement for a prospectus, disclosure document, or any lodgement, filing, registration or qualification,

or the Board must otherwise determine that the Shareholder qualifies to participate in the Entitlement Offer (**Eligible Shareholder**).

Shareholders resident in Australia or New Zealand holding Shares on behalf of persons who are resident overseas are responsible for ensuring that taking up an Entitlement under the Offer does not breach regulations in the relevant overseas jurisdiction. By returning a completed Entitlement and Acceptance Form, or making a payment by BPAY®, you will be taken to have represented and warranted that you, and each person on whose account you are acting, satisfy each of the criteria listed above. Eligible Shareholders who are nominees, trustees or custodians are therefore advised to seek independent professional advice as to how to proceed.

Talon, in its absolute discretion, reserves the right to determine whether a Shareholder is an Eligible Shareholder or a Non Eligible Foreign Shareholder and disclaims all liability to the maximum extent permitted by law in respect of any such determination.

1.2 Purpose of the Entitlement Offer

The proceeds of the Entitlement Offer will be used to ensure the Company is funded for its immediate forward work program which primarily consists of appraisal drilling. The currently proposed targets are at the Company's:

- (a) Mosman Rockingham (MR) Olmos assets;
- (b) East Banks - Rodessa assets; and
- (c) Coolangatta assets.

Should any of these targets fail to materialize, the Company plans to utilize the funds raised under the Entitlement Offer for appraisal drilling at the Company's other projects.

1.3 Underwriting

The Offer is fully underwritten by Morgans. Please refer to Section 4 of the additional information section this Offer Booklet for further details.

The Company will pay Morgans an underwriting fee of 3% and a management fee of 2% (plus GST) of the gross proceeds of the Entitlement Offer.

1.4 Issue of New Shares

New Shares under the Entitlement Offer are expected to be issued on or around 25 August 2014 (subject to change at the discretion of the Company).

The Company reserves the right (in its absolute discretion) to reduce the number of New Shares allocated to Eligible Shareholders, or persons claiming to be Eligible Shareholders, if their claims prove to be overstated or otherwise incorrect or if they fail to provide information to substantiate their claims.

1.5 ASX quotation

The Company has applied to ASX for the grant of official quotation of the New Shares and any Additional New Shares. It is expected that normal trading on ASX will commence in relation to New Shares and any Additional New Shares issued under the Entitlement Offer on 26 August 2014. If permission for quotation is not granted by ASX, the New Shares will not be issued and Application Money will be refunded (without interest) as soon as practicable.

1.6 Application Money

Until New Shares are issued, the Company will hold the Application Money in a bank account in Australia. The account will be established and kept solely for the purpose of depositing Application Money. If the Entitlement Offer is cancelled or withdrawn, any interest accrued on Application Money will not be paid on refunds.

1.7 Market prices for Shares on ASX

The lowest and highest market prices of Shares on ASX during the 3 months immediately preceding the date of this Offer Booklet were A\$0.012 and A\$0.022 respectively. The issue price of A\$0.011 per New Share represents a 15.4% discount to the closing price of the Company's Shares on ASX on Monday, 21 July 2014, which was the last full day Shares traded on the ASX before the announcement of the Entitlement Offer.

1.8 Foreign Shareholders

The New Shares being offered under this Offer Booklet are being offered to Shareholders with registered addresses in Australia or New Zealand.

The Entitlement Offer will not be offered to Non Eligible Foreign Shareholders, other than certain institutional shareholders and investors in foreign jurisdictions determined by the Directors. The Company has determined that it is not economically viable for it to make offers to Non Eligible Foreign Shareholders due to the cost of meeting compliance requirements with securities laws in each applicable jurisdiction in which Non Eligible Foreign Shareholders reside. The Company reserves the right in its absolute discretion to offer the Entitlement Offer to a Shareholder with an address in the Company's share register outside Australia or New Zealand if the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Directors in their sole discretion regard as acceptable.

This Offer Booklet does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer. No action has been taken to register the New Shares or otherwise permit an offering of New Shares in any jurisdiction outside of Australia or New Zealand.

The distribution of this Offer Booklet outside Australia or New Zealand may be restricted by law. If you come into possession of this Offer Booklet, you should observe any such restrictions. Any failure to comply with such restrictions may contravene applicable securities laws.

1.9 Taxation implications

Shareholders should be aware that there may be taxation implications of participating in the Entitlement Offer and subscribing for New Shares. The taxation consequences of participating in the Entitlement Offer and/or acquiring New Shares may vary depending on the individual circumstances of each Shareholder.

Please refer to Section 2 of this Offer Booklet for a general discussion of the Australian tax consequences of the Entitlement Offer for Eligible Shareholders resident in Australia and who hold their Shares as capital assets.

Shareholders should consult their own professional taxation advisers to obtain advice in relation to the taxation laws and regulations applicable to their personal circumstances.

1.10 Risks

An investment in New Shares or Additional New Shares is subject to investment and other known and unknown risks, some of which are beyond the control of Talon, including possible loss of income and principal invested. Talon does not guarantee any particular rate of return or the performance of Talon, nor does it guarantee the repayment of capital from Talon or any particular tax treatment. In considering an investment in New Shares or Additional New Shares, investors should have regard to (among other things) the *Key Risks* section of this Offer Booklet.

1.11 Regular reporting and disclosure

The Entitlement Offer is not being made under a prospectus or product disclosure statement. Rather, the Entitlement Offer is being made pursuant to provisions of the Corporations Act which allow rights issues and related issues to be made by providing certain confirmations to the market on the basis that all information that investors and their professional advisers would reasonably require to make an informed investment decision in relation to the Entitlement Offer, when read with this Offer Booklet and the accompanying information, is publicly available.

The Company is a disclosing entity for the purposes of the Corporations Act and is therefore subject to regular reporting and disclosure obligations under the Corporations Act and ASX Listing Rules. These obligations require the Company to notify ASX of information about specific events and matters as they arise for the purposes of ASX making that information available to the market. In particular, the Company has an obligation (subject to certain limited exceptions) to notify ASX once it is, or becomes, aware of information concerning the Company

which a reasonable person would expect to have a material effect on the price or value of the Company's securities. All announcements made by the Company are available from the Company's website www.talonpetroleum.com.au or ASX's website www.asx.com.au.

Additionally the Company is also required to prepare and lodge with ASIC yearly and half yearly financial statements accompanied by a directors' statement and report and an audit review or report. These reports are released to ASX and published on the Company and ASX websites.

1.12 Rights and liabilities attaching to New Shares

New Shares issued under this Offer Booklet will be fully paid ordinary shares in the capital of the Company and will rank equally with all Existing Shares, including for any dividend paid after the date of issue of the New Shares.

The rights and liabilities attaching to Shares are set out in the Company's constitution and are regulated by the Corporations Act, the general law, the ASX Listing Rules and the ASX Settlement Rules. The constitution may only be varied by a special resolution passed by at least 75% of Shareholders present (and entitled to vote).

1.13 Disclaimer

No person is authorised to give any information or make any representation in connection with the Entitlement Offer described in this Offer Booklet, which is not contained in this Offer Booklet. Any information or representation not contained in this Offer Booklet may not be relied on as being authorised by the Company or Petra Capital in connection with the Entitlement Offer.

1.14 Financial amounts

Money as expressed in this Offer Booklet is in Australian dollars (\$) or A\$) unless otherwise indicated. Any discrepancies between totals in tables and sums of components in tables in this Offer Booklet and between those figures and figures referred to in other parts of this document may be due to rounding.

1.15 Privacy

Chapter 2C of the Corporations Act requires information about you as a Shareholder (including your name, address and details of your Shares) to be included in the public register of the Company. Information is collected to administer your Shares. Your personal information may be disclosed to the Company. You can obtain access to your personal information by contacting the Share Registry. If you have a Broker Sponsored Holding/CHESS holding, you will need to contact your stockbroker to discuss getting access to your information.

1.16 Governing Law

This Offer Booklet, the Entitlement Offer and the contracts formed on acceptance of the Application and Entitlement Forms are governed by the laws applicable in Queensland, Australia. Each applicant for New Shares submits to the non exclusive jurisdiction of the courts of Queensland, Australia.

2. Required Actions

2.1 Eligible Shareholders – Australia and New Zealand

If you are an Eligible Shareholder you may either:

- take up all or part of your Entitlement in accordance with this Offer Booklet;
- take up all of your Entitlement and also apply for Additional New Shares in excess of your Entitlement; or
- decline to exercise any or all of your Entitlement (which will then lapse).

If you are an Eligible Shareholder and wish to take up all or part of your Entitlement or take up all your Entitlement and apply for Additional New Shares:

- (a) read this Offer Booklet in full;
- (b) consider the risks associated with the Entitlement Offer, including those summarised in the *Key Risks* section in this Offer Booklet, in light of your personal circumstances;
- (c) decide whether to participate in the Entitlement Offer;
- (d) make payment and apply for New Shares and any Additional New Shares by either of the methods described immediately below:

Mail

Complete the Application and Entitlement Form accompanying this Offer Booklet in accordance with the instructions set out on the form. If you have not received an Application and Entitlement Form please call the Share Registry on:

Within Australia: 1300 552 270

Outside Australia: +61 3 9415 4000; and

Return the completed Application and Entitlement Form together with your cheque, money order or bank draft made payable to ***Talon Petroleum Limited*** and crossed ***Not Negotiable*** (as further detailed in section 2.2 of this Offer Booklet), using the enclosed envelope or to the following address so that it is received by no later than 5pm (Brisbane time) on the Closing Date (or such other date as may be determined by the Company) at the Share Registry:

Computershare Investor Services Pty Limited
GPO Box 505,
Melbourne, VIC 3001

Completed Application and Entitlement Forms and Application Money will not be accepted at the Company's registered office or any other office of the Share Registry.

BPAY®

Make payment by BPAY® in accordance with the instructions in this Offer Booklet on the Application and Entitlement Form.

If you pay by BPAY® you do not need to return the Application and Entitlement Form to the Share Registry.

A reply paid envelope is enclosed for your convenience. If mailed in Australia, no postage stamp is required. If mailed from New Zealand, correct postage must be affixed. Eligible Shareholders in New Zealand should ensure that their Application and Entitlement Form and Application Money are mailed early to ensure they arrive at the postal address specified above by 5pm (Brisbane time) on the Closing Date (or such other date as may be determined by the Company).

Any Entitlements which are not taken up in full will (to the extent not taken up) form part of the Offer shortfall.

2.2 Payment

The issue price of A\$0.011 per New Share is payable on exercise of your Entitlement. For all Australian and New Zealand Eligible Shareholders payments must be received by 5pm (Brisbane time) on the Closing Date (or such other date as may be determined by the Company).

Shareholders should be aware of the time required to process payments by cheque, electronic funds transfer and BPAY® in choosing the appropriate Application and payment method.

Payment will only be accepted in Australian currency and must be:

- by cheque, money order or bank draft drawn on an Australian financial institution, made payable to ***Talon Petroleum Limited – Entitlement Offer*** and crossed ***Not Negotiable***; or
- through the BPAY® facility according to the instructions set out on the Application and Entitlement Form.

Cash will not be accepted. Receipts for payment will not be issued. If you provide insufficient funds to meet the Application Money due to take up all or part of your Entitlement, you may be taken by the Company to have applied for such lower number of New Shares as your cleared Application Money will pay or your Application may be rejected.

Talon will treat you as applying for as many New Shares as your payment will pay in full for your Entitlement and, in respect of amounts received by Talon in excess of your full Entitlement, may treat your application as applying for as many Additional New Shares as the excess will pay for in full, subject to any scale-back it may determine to implement in its absolute discretion in respect of Additional New Shares.

Any Excess Amount received will be refunded (only where the amount is A\$5.00 or greater).

No Additional New Shares will be issued to an Eligible Shareholder which would result in them increasing their voting power in Talon above 20%.

Eligible Shareholders may pay through BPAY®

Australian Eligible Shareholders and New Zealand Eligible Shareholders with an Australian bank account may pay through BPAY®. Payment by BPAY® should be made in accordance with the instructions set out in the Application and Entitlement Form using the reference number and biller code shown on that form and must be received by no later than 5pm (Brisbane time) the Closing Date (or such other date as may be determined by the Company). Applicants should be aware that their own financial institution may implement earlier cut off times with regard to electronic payment. Applicants should therefore take this into consideration when making payment. It is the responsibility of the Applicant to ensure that funds submitted through BPAY® are received by this time.

The reference number is used to identify your holding. If you have multiple holdings you will also have multiple reference numbers. You must use the reference number shown on each Application and Entitlement Form to pay for each holding separately. If you pay by BPAY® and do not pay for your full Entitlement, your remaining Entitlements will lapse.

If you make your payment by BPAY® you do not need to return the Application and Entitlement Form to the Share Registry.

Your completed Application and Entitlement Form or BPAY® acceptance, once received cannot be withdrawn.

2.3 Declining all or part of your Entitlement

If you decide not to take up all or part of your Entitlement, the Entitlement which are unexercised will lapse and may be taken up by the Underwriter. Your Entitlement to participate in the Entitlement Offer is non renounceable and cannot be traded on the ASX nor any other financial markets, nor can it be privately transferred. Shareholders who do not take up their Entitlements in full will not receive any payment or value for those Entitlements they do not take up.

If you decide not to participate in the Entitlement Offer, you do not need to fill out or return the accompanying Application and Entitlement Form. Although you will continue to own the same number of Shares, your percentage shareholding in the Company will be diluted.

2.4 Foreign Shareholders

If you are not an Eligible Shareholder, other than certain Shareholders in foreign jurisdictions determined by the Directors, you may not take up any of, or do anything in relation to, your Entitlement under the Entitlement Offer.

2.5 Warranties made on acceptance of Entitlement Offer

By completing and returning your personalised Application and Entitlement Form or making a payment by BPAY®, you will be deemed to have acknowledged, represented and warranted that you, and each person on whose account you are acting, are an Eligible Shareholder or otherwise eligible to participate.

By completing and returning your personalised Application and Entitlement Form or making a payment by BPAY®, you will also be deemed to have acknowledged, represented and warranted on your own behalf and on behalf of each person on whose account you are acting that:

- (a) you are not in the United States or acting for the account or benefit of a person in the United States (to the extent you are holding Shares on behalf of such person in the United States), and are not otherwise a person to whom it would be illegal to make an offer of or issue of New Shares under the Entitlement Offer and under any applicable laws and regulations;
- (b) you will not send any materials relating to the Entitlement Offer to any person in the United States or any other country outside Australia and New Zealand;
- (c) you acknowledge that you have read and understand this Offer Booklet and your Application and Entitlement Form in their entirety;
- (d) you agree to be bound by the terms of the Entitlement Offer, the provisions of this Offer Booklet and the Company's constitution;
- (e) you authorise the Company to register you as the holder of New Shares and Additional New Shares issued to you;
- (f) you declare that all details and statements in your Application and Entitlement Form are complete and accurate;
- (g) you declare you are over 18 years of age and have full legal capacity and power to perform all of your rights and obligations under your Application and Entitlement Form;
- (h) you acknowledge that after the Company receives your Application and Entitlement Form or any payment of Application Money by BPAY®, you may not withdraw your application or funds provided except as allowed by law;
- (i) you agree to apply for and be issued up to the number of New Shares and Additional New Shares specified in the Application and Entitlement Form, or for which you have submitted payment of any Application Money by BPAY®, at the Issue Price;
- (j) you authorise the Company, the Underwriter, the Share Registry and their respective officers or agents to do anything on your behalf necessary for New Shares (and any Additional New Shares) to be issued to you, including to act on instructions of the Share Registry on using the contact details set out in your Application and Entitlement Form;
- (k) you declare that you were the registered holder at the Record Date of the Shares indicated on your Application and Entitlement Form as being held by you on the Record Date;

- (l) you acknowledge that the information contained in this Offer Booklet and your Application and Entitlement Form is not investment advice nor a recommendation that New Shares (or any Additional New Shares) are suitable for you given your investment objectives, financial situation or particular needs;
- (m) you acknowledge that this Offer Booklet is not a prospectus, does not contain all of the information that you may require in order to assess an investment in the Company and is given in the context of the Company's past and ongoing continuous disclosure announcements to ASX;
- (n) you acknowledge the statement of risks in the *Key Risks* section of this Offer Booklet and that investments in the Company are subject to risk;
- (o) you acknowledge that none of the Directors, Talon, the Underwriter, or their respective related bodies corporate and affiliates and their respective directors, officers, partners, employees, representatives, agents, consultants or advisers, guarantees the performance of the Company, nor do they guarantee the repayment of capital;
- (p) you agree to provide (and direct your nominee or custodian to provide) any requested substantiation of your eligibility to participate in the Entitlement Offer and of your holding of Shares on the Record Date;
- (q) you authorise the Company to correct any errors in your Application and Entitlement Form or other form provided by you;
- (r) you represent and warrant that the law of any place does not prohibit you from being given this Offer Booklet and your Application and Entitlement Form, nor does it prohibit you from making an application for New Shares (or Additional New Shares) and that you are otherwise eligible to participate in the Entitlement Offer;
- (s) if in the future you decide to sell or otherwise transfer the New Shares, you will only do so in regular way transactions on the ASX or otherwise where neither you nor any person acting on your behalf know, or has reason to know, that the sale has been pre arranged with, or that the purchaser is, a person in the United States or is acting for the account or benefit of a person in the United States unless an available exemption applies; and
- (t) if you are acting as a nominee or custodian, each beneficial holder on whose behalf you are submitting the Application and Entitlement Form is resident in Australia or New Zealand.

2.6 Refunds

Any Application Money received for more than your final allocation of New Shares and Additional New Shares will be refunded as soon as practicable after the Closing Date (except for where the amount is less than A\$5.00). Any amount less than A\$5.00 will be retained by the Company. You are not entitled to any interest that accrues on any Application Money received or returned (wholly or partially). Any refund monies will be paid in A\$ via cheque sent to your registered address.

2.7 Confirmation of your application and managing your holding

You may access information on your holding, including your Record Date balance and the issue of New Shares and Additional New Shares from this Entitlement Offer, and manage the standing instructions the Registry records on your holding on the Investor Centre website www.investorcentre.com. To access the Investor Centre you will need your Security Reference Number (SRN) or Holder Identification Number (HIN) as shown on your Issuer Sponsored/CHESS statements and you will need to pass the security challenge on the site.

2.8 Withdrawals

You cannot, in most circumstances, withdraw your application once it has been accepted. Cooling off rights do not apply to an investment in New Shares or Additional New Shares.

Key risks

1. Introduction

The Company's operations are subject to a number of risks which may impact on its future performance and forecasts. Before subscribing for New Shares or Additional New Shares, Shareholders should carefully consider and evaluate the Company and its business and whether the New Shares are suitable to acquire having regard to their own investment objectives and financial circumstances and taking into consideration the material risk factors.

In particular, Shareholders and their professional advisers should consider the risk factors outlined below, any of which could affect the operating and financial performance of the Company or the value of an investment in the Company. New Zealand Shareholders should also consider the taxation and currency risks associated with investing in New Shares.

These risk factors are not exhaustive. Shareholders should also consult their stockbroker, accountant, solicitor or other independent professional adviser to evaluate whether or not to participate in the Entitlement Offer.

2. Risk factors

External risks

Exposure to oil and gas pricing

Any substantial decline in the prices of oil or gas could have a material adverse effect on the financial performance and ongoing operations of Talon. The price of oil and gas is determined by international supply and demand which is highly dependent on a variety of factors, including weather conditions, the price and availability of alternative fuels, actions taken by governments and international cartels, trading in international oil markets and global economic and political developments. Oil and gas prices have fluctuated widely in recent years and may continue to fluctuate significantly in the future. The Company does not currently hedge its exposure to oil and gas price movements.

Exchange rate fluctuations

All of Talon's operating assets are located in the USA. The majority of revenues, operating and other business expenditure is determined in US dollars however financial results are reported in Australian Dollars. Fluctuations in the exchange rate between the US dollar and the Australian Dollar will result in foreign exchange gains and losses which may impact on financial performance. The Company does not currently hedge its exposure to exchange rate fluctuations.

Changes to law, regulations or government policy

Changes in law and regulations or government policy may adversely affect Talon's business, financial position and results of operations. Examples include, changes to legislation or regulations in relation to foreign ownership, access to infrastructure, environmental and health and safety matters (including in respect of carbon emissions and management), tax and royalties, production and exploration licensing, conservation and development of mineral resources and operating and production practices.

Operating risks

Exploration and appraisal

As Talon is involved in exploration activities, there is a risk this exploration will not result in the discovery of commercially viable hydrocarbon accumulations. No assurances can be given that if commercially viable hydrocarbon accumulations will be discovered by the Company, it will be able to commercialise any such reserves as intended, or at all thereby having a potential to affect the Company's value.

Development production

Development, construction and operation of oil and gas production facilities is dependent upon a number of factors including reservoir performance and management, oil and gas production and processing facility capacity performance and reliability, and regulatory requirements. Development, construction and operation of oil and gas production facilities may also be impacted by mechanical difficulties, human error, labour disputes, shortages or delays in the delivery of equipment, weather conditions, civil unrest, wars and natural disasters, blowouts, cratering, explosions, pollution, seepage or leaks, fire and earthquake. These factors are substantially beyond the control of Talon and, as a result, there is no assurance that current rates of production can or will be sustained in the future. Disruption to expected production may result in variations to expected revenue and could have an adverse effect on the financial performance and ongoing operations of the Company.

Drilling

Talon's success is largely dependent upon the success of its drilling program. Drilling for oil and gas involves numerous risks, including the risk that no commercially productive oil or gas reservoirs will be discovered. The cost of drilling, completing and operating wells is substantial and uncertain, and drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors beyond Talon's control, including:

- unexpected or adverse drilling conditions;
- elevated pressure or irregularities in geologic formations;
- equipment failures or accidents;
- adverse weather conditions;
- compliance with governmental requirements; and
- shortages or delays in the availability of drilling rigs, crews and equipment.

Reserves

Even if drilled, Talon's completed wells may not produce reserves of oil or gas that are economically viable or that meet their earlier estimates of economically recoverable reserves. Talon's overall drilling success rate or its drilling success rate for activity within a particular project area may decline. Unsuccessful drilling activities could result in a significant decline in Talon's production and revenues and materially harm its operations and financial position by reducing its available cash and resources. The potential for production decline rates for Talon's wells could be greater than it expects.

Water	<p>Talon uses a substantial amount of water in its drilling operations. Talon's inability to locate sufficient amounts of water, or treat and dispose of water after drilling, could adversely impact its operations. Moreover, the imposition of new environmental initiatives and regulations could include restrictions on Talon's ability to conduct certain operations such as hydraulic fracturing or disposal of waste, including, but not limited to, produced water, drilling fluids and other wastes associated with the exploration, development or production of natural gas. Furthermore, future environmental regulations and permit requirements governing the withdrawal, storage and use of surface water or groundwater necessary for hydraulic fracturing of wells could increase operating costs and cause delays, interruptions or termination of operations, the extent of which cannot be predicted, all of which could have an adverse effect on Talon's operations and financial performance.</p>
Capital cost risk	<p>Talon has significant forecast capital costs to develop various assets within its portfolio. Estimates of capital costs are prospective and there is a risk that actual capital costs may vary significantly from the estimates. This could be caused by any number of factors which are beyond the control of Talon including increases in the cost of equipment, materials, labour, exchange rate fluctuations, project delays and technical and geological conditions encountered at each project.</p>
Funding	<p>The Company is an oil exploration and appraisal company that has limited cash generating business units or assets. As is typical for exploration and development companies with limited cash generating businesses, the Company's ability to meet its on-going operating costs and capital expenditure requirements involve expenditure which may exceed the estimated cash resources. Accordingly, Talon's ability to meet these expenditures will depend on its ability to raise new equity capital or access debt funding for that purpose. There is a risk that the future capital raisings or borrowings which Talon may require for these purposes may not be available on terms favorable to Talon or at all.</p>
Joint arrangement assets	<p>Talon may have joint operation arrangements in place with respect to its certain of its assets. This means that proposals for future operations by the majority interest owner of the relevant asset may place Talon in a position requiring it to fund operations, reduce interest or release interest in future operations. This decision may be made on the merits of the proposed operation or due to limited Company cash flow.</p>
Non-diversified portfolio	<p>None of Talon's assets are located in the Eagle Ford Shale and its assets are predominately oil projects in Texas USA. Such limited diversification means that Talon is highly susceptible to anything that could impact the geographic area in which Talon operates. This could include natural disasters, bad weather conditions, changes to regulation in that area or terrorist attacks. Due to the lack of diversification of assets, any such impact could have a material effect on Talon's operations as it may impact multiple or all assets owned.</p>

Estimation of reserves and resources	<p>There are numerous uncertainties inherent in estimating quantities of oil and gas reserves and resources and production levels, including factors beyond Talon's control. The accuracy of an estimate of quantities of reserves and resources, or of production levels, is a function of available data, assumptions regarding future oil and gas prices, expenditures for future development and exploitation activities, and technical interpretation and judgment.</p>
Tenure security	<p>Talon may lose title to, or interests in, its tenements if the conditions to which those tenements are subject are not satisfied or if insufficient funds are available to meet the commitments. As is customary in the industry in which Talon operates, Talon generally relies upon the judgment of oil and gas lease brokers or independent landmen who perform the field work in examining records in the appropriate governmental offices and abstract facilities before attempting to acquire or place under lease a specific mineral interest and before drilling a well on a leased tract. Talon, in some cases, performs curative work to correct deficiencies in the marketability or adequacy of the title to Talon. In cases involving more serious title problems, the amount paid for affected oil and gas leases can be generally lost, and the target area can become undrillable. The failure of title may not be discovered until after a well is drilled, in which case Talon may lose the lease and the right to produce all or a portion of the minerals under the property.</p>
Health, safety and environmental matters	<p>Exploration, development and production of oil and gas involves risks which may impact the health and safety of personnel, the community and the environment. Failure to manage these risks could result in injury or loss of life, damage or destruction of property and damage to the environment. Losses or liabilities arising from such incidents could significantly impact Talon's financial results.</p>

ASX announcement

ASX Announcement

Date: 22 July 2014

Talon Petroleum Limited

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Clifford S. Foss
Angus Douglas
Bruce Cowley

Company Secretary:

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Contact:

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or:

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Chairman
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ASX Code: TPD

NOT FOR DISTRIBUTION OR RELEASE IN THE UNITED STATES

Talon announces 1-for-1 fully underwritten Entitlement Offer to raise up to A\$1.12 million

Talon Petroleum Limited (ASX: TPD) (**Company**) has today launched a fully-underwritten non-renounceable pro-rata entitlement offer to raise up to approximately A\$1.12 million (before offer costs) (**Entitlement Offer**) to assist with funding its immediate forward work program.

The Entitlement Offer will be fully underwritten by Morgans Corporate Limited and partially sub-underwritten by Mr Jeff Forbes, the Company's Chairman, and Mr Angus Douglas and Mr Bruce Cowley, both Non-Executive Directors of the Company.³

Details of the Entitlement Offer

Eligible shareholders will be entitled to subscribe for 1 new fully paid ordinary share in the Company (**Share**) for every 1 Share held at 7pm (Brisbane time) on Monday 28 July 2014 (**Record Date**) at an issue price of \$0.011 per new Share. The issue price of \$0.011 under the Entitlement Offer represents a discount of approximately 15.4% to the last close of \$0.013 per Share on Monday, 21 July 2014.

Eligible shareholders are those shareholders at the Record Date with a registered address in Australia or New Zealand. Persons in the United States or persons acting for the account or benefit of persons in the United States will not be eligible to exercise entitlements

The Entitlement Offer is non-renounceable and entitlements cannot be traded on the ASX. Entitlements not taken up will lapse. Eligible shareholders may also apply for Shares in addition to their entitlement.

Holdings on different registers or sub-registers will not be aggregated to calculate entitlements. New Shares issued under the Entitlement Offer will be fully paid and will rank equally in all respects with existing Shares in the Company.

The timetable for the Entitlement Offer is set out overleaf.

Further information

Further details of the Entitlement Offer, including details on the use of proceeds, who is an eligible shareholder and underwriting arrangements are contained in the Entitlement Offer Booklet, which will be released to the ASX and posted on the Company's website today and despatched to eligible shareholders on or around 31 July 2014.

Event	Date
Announcement of terms of the Entitlement Offer	Tuesday, 22 July 2014
Existing Shares quoted on an 'ex-entitlement' basis	Thursday, 24 July 2014
Record Date (7pm (Brisbane time))	Monday, 28 July 2014
Entitlement Offer opens Entitlement Offer Booklet and acceptance forms despatched	Thursday, 31 July 2014
Entitlement Offer closes (5pm (Brisbane time))	Monday, 18 August 2014
Announcement of shortfall (if any) under the Entitlement Offer	Thursday, 21 August 2014
Issue date of new Shares issued under the Entitlement Offer	Monday, 25 August 2014
Despatch of holding statements for new Shares issued under the Entitlement Offer.	Tuesday, 26 August 2014
Normal trading of new Shares issued under the Entitlement Offer	Tuesday, 26 August 2014

The timetable is subject to change and the Company reserves the right to withdraw or vary the timetable for the offer without notice. In particular, the Company reserves the right to extend the closing date for the Entitlement Offer, to accept late applications whether generally or in particular cases, or to withdraw the Entitlement Offer without prior notice, subject to applicable laws.

-ends

About Talon Petroleum Limited:

Talon Petroleum Limited is a Texas and Gulf Coast focused exploration and appraisal company listed on ASX (ASX code: TPD). Talon's strategy is to invest in multi-well oil projects that are located within areas with good production infrastructure employing horizontal drilling and advanced fracing technologies. The projects target oil in resource plays (shales) or in low permeability conventional reservoirs that originally produced only a small fraction of the hydrocarbons in-place (old fields with tight reservoirs) where recoveries can be improved with new technologies. Funding to drill the proof of concept tests in the early projects will come from selling down in large acreage blocks.

Talon's current portfolio reflects the strategy and consists of consists of seven projects located in East and South Texas, USA. Talon is headquartered in Brisbane, Australia with an office in Houston, Texas, USA. Additional information is available on Talon's website:

www.talonpetroleum.com.au

Additional information

This Offer Booklet (including the ASX announcement reproduced in it) and accompanying personalised Application and Entitlement Form have been prepared by the Company. The information in this Offer Booklet is dated 22 July 2014. This information remains subject to change without notice and Talon is not responsible for updating this information.

No party other than the Company has authorised or caused the issue of the information in this Offer Booklet, or takes any responsibility for, or makes, any statements, representations or undertakings in this Offer Booklet.

1. Required Actions

1.1 Effect of the Entitlement Offer on capital structure

The capital structure of the Company assuming that the maximum number of New Shares are issued under the Entitlement Offer, will be as follows:

Shares	Number
Shares on issue as at 22 July 2014	102,615,433
New Shares offered under the Entitlement Offer as per this Offer Booklet	102,615,433
Total Shares on issue on close of the Entitlement Offer	205,230,866

The Company has 5,450,000 unlisted options currently on issue. The options do not carry an entitlement to participate in the Entitlement Offer.

1.2 Impact on control

The potential effect that the Entitlement Offer will have on the control of the Company and the consequences of that effect, will depend on a number of factors, including Eligible Shareholders' interest in taking up their Entitlements. The Entitlement Offer is not expected to have a material impact on the control of the Company.

1.3 Directors

Directors Jeff Forbes, Angus Douglas and Bruce Cowley (directly or through their associated entities) intend to participate fully in the Entitlement Offer and will also act as sub-underwriters to the Underwriter.

2. ASX

The Company has applied to ASX for the grant of official quotation of the New Shares and any Additional New Shares. It is expected that normal trading on ASX will commence in relation to New Shares and any Additional New Shares issued under the Entitlement Offer on 26 August 2014. The Company will have no responsibility and disclaims all liability (to the maximum extent permitted by law, including for negligence) to persons who trade New Shares before the New Shares or Additional New Shares are listed on the official list of ASX or before they receive their written confirmation of issue, whether on the basis of confirmation of the allocation provided by the Company, the Share Registry, the Underwriter or otherwise. Neither ASX nor any of its officers accepts takes any responsibility for the contents of this Offer Booklet.

3. Taxation

Taxation is only one of the matters that must be considered when making a decision in relation to New Shares.

Set out below is a summary of the Australian tax implications of participating in the Entitlement Offer for Eligible Shareholders who are residents of Australia for tax purposes and who hold their Shares as capital assets.

This section does not consider the Australian tax consequences for particular types of Eligible Shareholders, including those who:

- (a) hold their Shares as assets used in carrying on a business or who may carry on the business of share trading, banking or investment; or
- (b) hold their Shares through an employee share scheme or whose Shares are held as revenue assets or trading stock; or
- (c) may be subject to special tax rules, such as insurance companies, partnerships, tax exempt organisations, trusts (except where expressly stated), superannuation funds (except where expressly stated) or temporary residents; or
- (d) are tax residents of any jurisdiction other than Australia (including New Zealand).

The summary below is based on the law in effect as at the date of this Offer Booklet, is general in nature and should not be relied on by Eligible Shareholders as tax advice. Eligible Shareholders should seek specific advice applicable to their own particular circumstances from their own financial or tax advisers.

3.2 Income tax

Issue of Entitlements

Subject to the qualifications noted above and assuming that the Eligible Shareholder continues to hold their Shares until the issue of the Entitlements, the issue of the Entitlements will not, of itself, result in any amount being included in the assessable income of an Eligible Shareholder on the basis that the Entitlements satisfy the requirements in section 59-40 of the *Income Tax Assessment Act 1997* (Cth) and will therefore be treated as non assessable and non exempt income.

Exercise of Entitlements

Eligible Shareholders who exercise their Entitlements and subscribe for New Shares will acquire those Shares with a cost base for CGT purposes equal to the Issue Price payable by them for those shares plus any non deductible incidental costs they incur in acquiring them. Eligible Shareholders will not make any capital gain or loss, or derive assessable income, from exercising the Entitlements or subscribing for the New Shares.

3.3 New Shares

Taxation of income for Eligible Shareholders

Eligible Shareholders who exercise their Entitlements will acquire New Shares and may acquire, in Talon's absolute discretion, Additional New Shares (as applicable). Any future dividends or other distributions made in respect of those New Shares or Additional New Shares will be subject to the same taxation treatment as dividends or other distributions made on Shares held in the same circumstances.

Taxation of disposals for Eligible Shareholders

The disposal of New Shares or Additional New Shares will give rise to a CGT event for Eligible Shareholders. Eligible Shareholders may make a capital gain or capital loss, depending on whether the capital proceeds of that disposal are more than the cost base or less than the reduced cost base of the New Shares or Additional New Shares. The cost base of those Shares is described above, but for these purposes, the cost base should also include a reasonable apportionment of the non deductible incidental costs on disposal and any interest paid in respect of borrowings used to acquire those Shares that was not otherwise deductible to the Eligible Shareholder.

New Shares and Additional New Shares will be treated for the purposes of the CGT rules as having been acquired when the Eligible Shareholder exercised the Entitlement to subscribe for them. In order to benefit from the CGT discount that may be available to individuals, trusts and complying superannuation funds in respect of a disposal of the New Shares or Additional New Shares, the Shares must have been held for at least 12 months before the disposal of the New Shares or Additional New Shares.

Taxation of a return of capital by the Company

Where a return of capital is made by the Company, the cost base and reduced cost base of the Eligible Shareholder's New Shares or Additional New Shares for CGT purposes will be reduced by the amount of the return of capital, with any excess over the cost base triggering a capital gain. In some circumstances, where the Eligible Shareholder disposes of their New Shares in the period between becoming entitled to the return of capital and its actual payment, the Eligible Shareholder will generally make a capital gain equal to the amount of the return of capital. The amount returned may also include a dividend component, or be deemed under taxation law to include a dividend component, which will be subject to tax as set out above.

3.4 Goods and Services Tax and Stamp Duty

No Australian GST or stamp duty is payable in respect of the issue or exercise of the Entitlement Offer, nor in respect of the acquisition of New Shares under the Entitlement Offer as set out in this Offer Booklet. Eligible Shareholders may be charged GST on third party brokerage or advisor costs in respect of the issue or exercise of the Entitlement Offer or the acquisition of New Shares, depending on their individual circumstances.

4. Underwriting

On 22 July 2014, the Company entered into an underwriting agreement with the Underwriter who has agreed to underwrite the Entitlement Offer on the terms and conditions set out in the underwriting agreement (**Underwriting Agreement**). The Underwriter will be remunerated by the Company for providing these underwriting services at market rates and may be reimbursed for certain expenses.

In respect of the fees payable for its services, the Underwriter will receive fee of up to 5.0% of the proceeds from the Entitlement Offer.

The Underwriting Agreement contains terms and conditions customary for an agreement of that nature, including:

- (a) representations, warranties and undertakings by the Company in favour of the Underwriter in connection with (amongst other things) the conduct of the Entitlement Offer; and
- (b) indemnities in favour of the Underwriter, the officers, employees, advisers, agents and Related Bodies Corporate of the Underwriter, and the officers, employees, advisers and agents of any Related Body Corporate of the Underwriter against (amongst other things)

all loss incurred directly or indirectly as a result of or in connection with the Entitlement Offer or the Offer Documents.

The Underwriter may immediately terminate the Underwriting Agreement and be released from its obligations under it (in certain circumstances, including having regard to the materiality of the relevant event) by written notice to the Company without cost or liability on the occurrence of certain events on or prior to the final settlement date of the Entitlement Offer, including (but not limited to) where:

- a statement contained in the offer materials is or becomes misleading or deceptive;
- ASX suspends quotation of the Shares;
- the Company withdraws the Entitlement Offer;
- an insolvency or winding up event occurs in respect of any member of the Company's corporate group;
- there are material adverse changes to the financial markets of key countries, certain falls in the ASX/S&P 300 Index or hostilities commence or escalate in certain key countries; or
- a material adverse change occurs in the assets, liabilities, financial position or operations, profits, losses or prospects of the Company or its corporate group (insofar as the position in relation to an entity in the corporate group affects the overall position of the Company) from those disclosed in the offer materials.

Please note that the above is not an exhaustive list of the termination events in the Underwriting Agreement.

The Underwriter has sought sub-underwriting commitments in respect of any shortfall in relation to the Entitlement Offer.

Directors, Jeff Forbes, Angus Douglas and Bruce Cowley, or their associated entities, have entered into agreements with the Underwriter, under which they have agreed to sub-underwrite the following:

Jeff Forbes	\$40,000.00 or 3,636,364 New Shares
Angus Douglas	\$20,000.00 or 1,818,182 New Shares
Bruce Cowley	\$25,000.00 or 2,272,727 New Shares.

The Underwriter has agreed to pay them a fee of 2% in respect of these sub-underwriting commitments. This is the same fee payable to all sub-underwriters

5. Information availability

Eligible Shareholders in Australia and New Zealand can obtain a copy of information relation to the Offer or a replacement Application and Entitlement Form during the period of the Entitlement Offer by calling the Share Registry on 1300 552 270 (within Australia) or +61 3 9415 4000 (Outside Australia) between 8.30am to 5.30pm (Brisbane time) Monday to Friday during the Entitlement Offer period.

Glossary

Term	Definition
Additional New Shares	Shares offered on the basis of, and under the terms of, the Entitlement Offer in addition to the Entitlement of an Applicant
Applicant	an Eligible Shareholder who submits an application for New Shares on the conditions set out in this Offer Booklet in an Entitlement and Acceptance Form or such other form as approved by Talon together with Application Money.
Application	an application for a specified number of New Shares by an Applicant under this Offer Booklet.
Application and Entitlement Form	the personalised form for participation in the Entitlement Offer attached to or accompanying this Offer Booklet.
Application Money	monies received from persons subscribing for New Shares pursuant to the terms of the Entitlement Offer.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited ACN 008 624 691 or the financial market operated by it, as the context requires.
ASX Listing Rules	the listing rules of ASX.
Board	the Directors acting as a board of the Company.
Brisbane time	the time in Brisbane, Australia.
Business Day	a day on which both the ASX and major trading banks are open for trading in Sydney.
CGT	Capital Gains Tax.
Closing Date	the date on which the Entitlement Offer closes, expected to be 5pm (Brisbane time) on 18 August 2014.
Company or Talon	Talon Petroleum Limited ABN 88 153 229 086.
Corporations Act	<i>Corporations Act 2001</i> (Cth).
Directors	the directors of the Company.
Eligible Shareholder	as defined in Section 1.1 of the Entitlement Offer overview section of this Offer Booklet.
Entitlement	the entitlement of an Eligible Shareholder to take up a certain number of New shares pursuant to the Entitlement Offer based on the number of Existing Shares held on the Record Date.
Entitlement Offer	the non renounceable entitlement offer to Eligible Shareholders as at the Record Date to subscribe for 1 New Share for every 1 Existing Share at A\$0.011 per New Share.

Term	Definition
Excess Amount	any money in excess of the full amount of Application Money for an Eligible Shareholder's whole Entitlement and Additional New Shares applied for in accordance with the terms in the Offer Booklet.
Existing Shares	Shares on issue at the Record Date.
GST	Good and Services Tax.
Issue Price	the price payable for one New Share under this Offer Booklet being A\$0.011.
Morgans	Morgans Corporate Limited
New Share	a Share offered and issued under this Offer Booklet, the terms and conditions of which are set out in this Offer Booklet.
Non Eligible Foreign Shareholder	a Shareholder with an address in the Company's share register outside Australia or New Zealand, unless the Company is satisfied that it is not precluded from lawfully issuing New Shares to that Shareholder either unconditionally or after compliance with conditions which the Board in its sole discretion regards as acceptable and not unduly onerous.
Offer Booklet	this document dated 22 July 2014.
Offer Period	31 July 2014 to 18 August 2014 or any other date as may be determined by the Company.
Opening Date	31 July 2014.
Prescribed Occurrence	any of the events in s652(1) or (2) of the Corporations Act but substituting that <i>company</i> for <i>target</i> .
Record Date	7pm (Brisbane time) on 28 July 2014.
Related Body Corporate	has the meaning given to that term in section 50 of the Corporations Act.
Share	a fully paid ordinary share in the capital of the Company.
Share Registry	Computershare Investor Services Pty Limited.
Shareholder	a holder of at least one Share as recorded on the Company's share register.
Subsidiary	has the meaning given to that term in the Corporations Act.
Timetable	the Entitlement Offer timetable.
Underwriter	Morgans.
Underwriting Agreement	as defined in section 5 of the Additional Information section of this Offer Booklet.
U.S. Securities Act	United States Securities Act of 1933, as amended.

Corporate Directory

DIRECTORS

Jeffrey Forbes (Chairman, Non Executive Director)

Clifford S Foss Jr (President, Managing Director, CEO)

Mr Bruce Cowley (Non Executive Director)

Mr Angus Douglas (Non Executive Director)

REGISTERED OFFICE

Level 16, 344 Queen Street

Brisbane QLD 4000

SHARE REGISTRY

Computershare Investor Services Pty Limited

117 Victoria Street

West End QLD 4101

COMPANY SECRETARY

Anastasia Maynes

LAWYERS

Minter Ellison

Level 22, Waterfront Place

1 Eagle Street

Brisbane QLD 4001

UNDERWRITER

Morgans Corporate Limited

Level 29, Riverside Centre

123 Eagle Street

Brisbane QLD 4001



For all enquiries:

Phone:



(within Australia) 1300 552 270

(outside Australia) +61 3 9415 4000

000001 000 TPD
MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Make your payment:



See over for details of the Offer and how to make your payment

Non-Renounceable Rights Issue - Entitlement and Acceptance Form (Including Additional New Shares)

Your payment must be received by 5.00pm (Brisbane time) Monday, 18 August 2014

This is an important document that requires your immediate attention. It can only be used in relation to the shareholding represented by the details printed overleaf. If you are in doubt about how to deal with this form, please contact your financial or other professional adviser.

This Form relates to the Non-Renounceable Entitlement Offer of New Stapled Securities by Talon Petroleum Limited ACN 153 229 086 to Eligible Shareholders at the Offer Price of A\$0.011 per New Share on the basis of 1 New Share for every 1 Existing Share held at 7.00pm (AEST) on Monday, 28 July 2014 (**Record Date**) made under the Entitlement Offer booklet dated 22 July 2014 (**Offer Booklet**). Unless otherwise defined, capitalised terms in this Form have the meanings given to them in the Offer Booklet.

By completing and returning this Form or making a payment by **BPAY**® to accept the Offer, you will be deemed to have acknowledged, represented and warranted that you have read and understood the Offer Booklet and you will be taken to have acknowledged the matters, and made the warranties, declarations, agreements and representations contained therein, including the acknowledgements, agreements, representations and warranties set out in the Required Actions' section of the Offer Booklet on behalf of yourself and each person on whose behalf you are acting.

Under the Entitlement Offer, Shareholders may also apply for Additional New Shares in excess of their Entitlement at the Offer Price. Additional New Shares will only be allocated to Eligible Shareholders if available and then only if and to the extent that Talon Petroleum Limited so determines, in its absolute discretion. Talon Petroleum Limited may also apply any scale-back to applications for Additional New Shares in its absolute discretion.

If you apply for Additional New Shares then, the Excess Amount (if any), may be treated as an application to apply for as many Additional New Shares as your Excess Amount will pay for in full.

Step 1: Registration Name

Please check the details provided and update your address via www.investorcentre.com if any of the details are incorrect.

If you have a CHESS sponsored holding, please contact your Controlling Participant to notify a change of address.

Step 2: Make Your Payment

You can apply to accept either all of your Entitlement, all of your Entitlement and Additional New Shares or part of your Entitlement. Enter the number of New Shares you wish to apply for and the amount of payment for those New Shares.

By making your payment you confirm that you agree to all of the terms and conditions as detailed in the Entitlement Offer Booklet dated 22 July 2014.

Choose one of the payment methods shown below.

BPAY®: See overleaf. Do not return the slip with BPAY payment.

By Mail: Complete the reverse side of this payment slip and detach and return with your payment. Make your cheque, money order or bank draft payable in Australian dollars to Talon Petroleum Limited. Cheques must be drawn from an Australian bank. Cash is not accepted.

Payment will be processed on the day of receipt and as such, sufficient cleared funds must be held in your account as cheques received may not be re-presented and may result in your Application being rejected. Paperclip (do not staple) your cheque(s) to the slip below as indicated. Receipts will not be forwarded. Funds cannot be debited directly from your account.

Entering your contact details is not compulsory, but will assist us if we need to contact you.

Turn over for details of the Offer →

Talon Petroleum Limited Non-Renounceable Rights Issue
Payment must be received by 5:00pm (AEST) Monday, 18 August 2014

© Registered to **BPAY** Pty Limited ABN 69 079 137 518


Entitlement and Acceptance Form with Additional Shares

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I N D

STEP 1**Registration Name & Offer Details**

Registration Name: MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

 For your security keep your SRN/
HIN confidential.

Entitlement No: 12345678

Offer Details: Existing shares entitled to participate as at
7.00pm (AEST) Monday, 28 July 2014:

4,000

Entitlement to new shares
on a 1 for 1 basis:

1

Amount payable on acceptance
at A\$0.011 per share:

\$0.01**STEP 2****Make Your Payment**

Billers Code: 235358
Ref No: 1234 5678 9123 4567 89

Pay by Mail:

Make your cheque, money order or bank draft payable to
"Talon Petroleum Limited".

Return your cheque with the below slip to:

Computershare Investor Services Pty Limited
GPO BOX 505 Melbourne Victoria 3001 Australia

Contact your financial institution to make your
payment from your cheque or savings
account.

Lodgement of Acceptance

If you are applying for shares and your payment is being made by BPAY, you do not need to return the slip below. Your payment must be received by no later than 5:00pm (AEST) Monday, 18 August 2014. Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. Neither Computershare Investor Services Pty Limited (CIS) nor Talon Petroleum Limited accepts any responsibility for loss incurred through incorrectly completed BPAY payments. It is the responsibility of the applicant to ensure that funds submitted through BPAY are received by this time.

If you are paying by cheque, bank draft or money order the slip below must be received by CIS by no later than 5:00pm (AEST) Monday, 18 August 2014. You should allow sufficient time for this to occur. A reply paid envelope is enclosed for shareholders in Australia. Other Eligible Shareholders will need to affix the appropriate postage. Return the slip below with cheque attached. Neither CIS nor Talon Petroleum Limited accepts any responsibility if you lodge the slip below at any other address or by any other means.

Privacy Notice

The personal information you provide on this form is collected by Computershare Investor Services Pty Limited (CIS), as registrar for the securities issuers (the issuer), for the purpose of maintaining registers of securityholders, facilitating distribution payments and other corporate actions and communications. In addition, the issuer may authorise us on their behalf to send you marketing material or include such material in a corporate communication. You may elect not to receive marketing material by contacting CIS using the details provided above or emailing privacy@computershare.com.au. We may be required to collect your personal information under the Corporations Act 2001 (Cth) and ASX Settlement Operating Rules. We may disclose your personal information to our related bodies corporate and to other individuals or companies who assist us in supplying our services or who perform functions on our behalf, to the issuer for whom we maintain securities registers or to third parties upon direction by the issuer where related to the issuers administration of your securityholding, or as otherwise required or authorised by law. Some of these recipients may be located outside Australia, including in the following countries: Canada, India, New Zealand, the Philippines, the United Kingdom and the United States of America. For further details, including how to access and correct your personal information, and information on our privacy complaints handling procedure, please contact our Privacy Officer at privacy@computershare.com.au or see our Privacy Policy at <http://www.computershare.com/au>.

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Acceptance Payment Details

Entitlement taken up:

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Number of Additional New
Shares applied for:

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Total number of New Shares
and Additional New Shares:

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Amount enclosed at A\$0.011 per New
Share and Additional New Share:**A\$**

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Entitlement No: 12345678

MR SAM SAMPLE
123 SAMPLE STREET
SAMPLETOWN VIC 3000

Payment must be received by 5:00pm (AEST) Monday, 18 August 2014**Contact Details****Contact****Name** _____**Daytime****Telephone** _____**Cheque Details****Drawer****Cheque Number****BSB Number****Account Number****Amount of Cheque**

					A\$
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123456789123456789+0000000001-3051+14