

TALON TO FARMIN TO EP447 & DRILLING AT WALYERING

Highlights

- Talon to farmin to Strike Energy operated EP447 located onshore Perth Basin for 45% interest
- Drilling planned on Walyering Prospect in 2021 using same rig contracted by Strike for its multi-well West Erregulla campaign
- Walyering holds 86 Bcf of gas and 2.18mmbbl condensate (best estimate in place prospective resource)¹
- Mr David Casey to join Talon as Managing Director
- Talon to hold right of first refusal in relation to the acquisition of an interest in EP495 and the Ocean Hill discovery also held by Strike

Prospective Resources Cautionary Statement: the estimated quantities of petroleum that may potentially be recovered by the application of a future exploration or development project(s) related to undiscovered accumulations. These assessments are un-risked and have an associated risk of discovery and a risk of development. Further exploration, appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Talon Petroleum Ltd (ASX: **TPD**, “**Talon**” or the “**Company**”) is pleased to announce that it that it has executed a non-binding term sheet in respect of a farmin to the Strike Energy Limited (ASX:STX) operated EP447, located in the onshore Perth Basin. In addition, the Company has appointed Mr David Casey as Managing Director.

Farmin with Strike Energy

Talon has entered into a non-binding term sheet in respect of a farmin by Talon to a 45% interest in EP447 located in the onshore Perth Basin. EP447 contains the Walyering wet gas prospect and is operated and held 100% by Strike Energy Limited (**Strike**). Drafting of formal documentation in respect of the farmin is underway and will be finalised as soon as can be arranged by the parties.

As consideration for the acquisition of a 45% interest in EP447 and a right of first refusal over EP495, Talon shall contribute A\$6 million towards the cost of an exploration well on the Walyering Prospect, which contains a best estimate in place prospective resource of 86Bcf (gas) and 2.18mmbbls (condensate)¹. The gross well cost is estimated at A\$9 million and will be added to Strike's planned 2021 multi-well Perth Basin drilling campaign.

1. Refer to Strike Energy Limited ASX release dated 9 June 2020 entitled *Greater Erregulla and Walyerig Update* for more information on prospective resource

The Company is presently in the process of undertaking a capital raising, which if successful, will be subject to required shareholder approvals at a meeting to be convened.

Newly acquired and interpreted 3D seismic over EP447 has allowed Strike to apply its Perth Basin technical expertise to Walyering and reconcile past technical challenges with the prospect. 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. Additionally, Walyering's proximity to infrastructure, low CO₂ and high liquids component, will assist with the reduction in development and production costs and commercial viability of the project in the event of success.

Additional upside is provided by way of a right of first refusal over the Ocean Hill discovery, presently held 100% and operated by Strike should it wish to divest equity in the project. Ocean Hill contains a significant 2C Contingent Resource of 360Bcf². The recently acquired 3D dataset over Walyering has greatly improved the understanding of the opportunity which exists at Ocean Hill.

Talon will provide its share of funding by way of payment of an initial amount of \$1 million into the Joint Account upon the execution of formal farmin documentation and receipt of required regulatory approvals in respect of the assignment of a 45% interest. Thereafter, payments towards Talon's share of Walyering drilling costs will be made in stages and as and when cash called in accordance with the relevant joint venture agreement.

2. Refer to Strike Energy Limited ASX release dated 17 February 2020 entitled *Exploration Portfolio Update* for more information on contingent resource

Appointment of David Casey as Managing Director

The Company is pleased to welcome David Casey in the position of Managing Director and CEO. Mr Casey has a wealth of experience in the oil and gas sector as a geologist and Managing Director/CEO of ASX listed companies.

Mr Casey was the former Managing Director and CEO of Eastern Star Gas Limited (**ESG**) and was instrumental in the appraisal, development and commercialisation of the Narrabri Gas Project in Northern NSW. ESG grew to be an ASX 200 company until it was taken over by Santos Limited for A\$924 million. Most recently, Mr Casey was CEO Australia and Asia Pacific at Warrego Energy Limited (ASX:WGO). Warrego is a 50% joint venture partner with Strike in the prolific West Erregulla gas discovery in the Perth Basin.

Details of Mr Casey's employment arrangements are set out in Appendix 1.

Talon's current Managing Director, Matthew Woner will remain on the Talon Board as an Executive Director working across the Company's business and with a particular focus on Talon's UK North Sea exploration portfolio.

Commenting on the farmin and the appointment of Mr Casey, Talon's Chairman, Peter Stickland said: *"We are most pleased to announce the farmin transaction with Strike and to welcome David to the Talon team. Participation in the drilling of a well at Walyering next year provides an exciting opportunity for Talon and its investors. We are also pleased to be partnering with an operator such as Strike, which has had a stunning track record of success in the Perth Basin in recent times. The addition of Walyering and potentially, Ocean Hill, will provide asset diversification, exposure to the strong Western Australian gas thematic and medium-term drilling activity for shareholders whilst the Company continues its farmout process on its UK assets."*

North Sea Asset Update

Talon remains committed to its current UK North Sea asset portfolio and the Company's farmout activities are ongoing. As previously advised, technical feedback from potential partners has been overwhelmingly positive, however, current conditions impacted by COVID-19 and oil price uncertainty have meant that the farmout process is taking longer than hoped. Pleasingly, Talon is retaining a strong level of engagement with interested parties and new parties have very recently executed confidentiality agreements and are about to commence data room technical review.

Talon has also received notification from Oil and Gas Authority that it has granted additional tenure over Licence P2363 for a period of 12 months, taking the current Phase of this licence out until 30 September 2021. The Licence contains the high impact Skymoos prospect (107mmbo best estimate prospective resource)³.

3. See Talon Petroleum Limited ASX release dated 31 January 2019 for more information on prospective resource.

Authorised for lodgement by the Board of Directors.

-- Ends --

Competent Persons Statement

The information in this report that relates to Prospective Resource information in relation to the Walyering Prospect and Contingent Resources information in relation to Ocean Hill is based on information compiled by the operator of these assets, Strike Energy Limited. This information was subsequently reviewed by Mr Peter Stickland.

Mr Stickland B.Sc (Hons) is a director of the Company and has over 25 years of relevant experience, is a member of the European Association of Geoscientists & Engineers and the Petroleum and Exploration Society of Australia, and consents to the publication of the resource assessments contained herein.

SPE definitions

Reserves represent that part of resources which are commercially recoverable and have been justified for development, while contingent and prospective resources are less certain because some significant commercial or technical hurdle must be overcome prior to there being confidence in the eventual production of the volumes. Talon does not yet have reported reserves.

Contingent resources are less certain than reserves. These are resources that are potentially recoverable but not yet considered mature enough for commercial development due to technological or business hurdles. For contingent resources to move into the reserves category, the key conditions, or contingencies, that prevented commercial development must be clarified and removed. As an example, all required internal and external approvals should be in place or determined to be forthcoming, including environmental and governmental approvals. There also must be evidence of firm intention by a company's management to proceed with development within a reasonable time frame (typically 5 years, though it could be longer).

Prospective resources are estimated volumes associated with undiscovered accumulations. These represent quantities of petroleum which are estimated, as of a given date, to be potentially recoverable from oil and gas deposits identified on the basis of indirect evidence but which have not yet been drilled. This class represents a higher risk than contingent resources since the risk of discovery is also added. For prospective resources to become classified as contingent resources, hydrocarbons must be discovered, the accumulations must be further evaluated and an estimate of quantities that would be recoverable under appropriate development projects prepared.

APPENDIX 1: DETAILS OF EXECUTIVE SERVICES AGREEMENT – DAVID CASEY

In accordance with Listing Rule 3.16.4 the following information is also disclosed in relation to key terms of the ESA:

- The ESA allows for a total Salary of A\$250,000 (plus statutory superannuation) subject to annual review in accordance with the Company's procedures
- Mr Casey may also be entitled to a performance-based bonus over and above the Salary as the Company may determine from time to time at the discretion of the Board
- The ESA has no fixed term and subject to circumstances may be terminated by the Company or Mr Casey on 3 months' notice.

Under the ESA, Mr Casey will receive an incentive package which will include a package of Performance Rights in an amount of 327,678,952 with the following vesting criteria and all of which are subject to shareholder approval:

- Parcel 1 (50%): completion of Capital Raising (including receipt of all required shareholder approvals) and finalisation of formal documentation for the farmin (ie Farmin Agreement and Joint Operating Agreement). Subject to the achievement of the vesting criteria, the Parcel 1 Performance Rights have an expiry of 30 June 2025;
- Parcel 2 (25%): share price trigger of 200% of Capital Raising issue price (sustained on 20-day VWAP basis). The vesting criteria for the Parcel 2 Performance Rights must met prior to 30 June 2022 or Rights will lapse. Upon Vesting, the Parcel 2 Performance Rights have an expiry date of 30 June 2027; and
- Parcel 3 (25%): share price trigger of 400% of Capital Raising issue price (sustained on 20-day VWAP basis) The vesting criteria for the Parcel 3 must met prior to 30 June 2024 or Rights will lapse. Upon Vesting, the Parcel 3 Performance Rights have an expiry date of 30 June 2027

In each case, Performance Rights will not convert into fully paid ordinary shares unless Mr Casey is engaged by the Company 2 years from his appointment.

The ESA is otherwise considered to be on standard terms for an agreement of this nature.