ASX Announcement
15 May 2019

TALON Petroleum

COMPLETION OF ACQUISITION OF ENCOUNTER OIL LIMITED AND STRATEGY UPDATE

Talon Petroleum Limited ("Talon" or the "Company") is pleased to advise that it has completed the acquisition of EnCounter Oil Limited.

Accordingly, Talon now holds 100% interests in EnCounter's highly prospective exploration licences in the UK North Sea. Licence 2363 contains the 107mmbo (best estimate prospective resource) Skymoos Prospect and Licence 2392 which hosts the 27mmbo (best estimate prospective resource) Rocket Prospect.[1]

The estimated quantities of petroleum that may potentially be recovered by the application of future development projects relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

In addition, EnCounter founder and UK North Sea exploration specialist Mr Graham Dorè has joined the Talon Board as a Non-Executive Director, and EnCounter's Mr Paul Young joins as Geoscience Manager.

Please see attached Appendix 3B in respect of securities issued as consideration.

North Sea Strategy Update

Skymoos and Rocket Prospects

The Company has recently licensed additional high-quality 3D seismic data over both Rocket and Skymoos and has commenced a farmout process to secure industry partners to provide expertise and funding support for the drilling of these high-impact exploration targets. Talon has received strong interest from potential partners at this early stage and is confident of securing a farm-in partner for both assets in the near term.

Curlew-A appraisal project

Operations planning in respect of the Curlew-A appraisal opportunity is continuing with a view to drilling in late 2019. The operator, Corallian Energy, advises that it is continuing with its farmout process and is planning for a well-site survey during the Northern summer in preparation for drilling.

[1] *Refer to Talon ASX release dated 31 January 2019*

Government Licence Round opportunities

Talon has applied for an additional exploration licence in the UK Oil and Gas Authority's 31st Seaward Licensing Round. If previous licence round timings are to be used as a guide, the announcement of successful applicants can be expected in May 2019. Talon has applied for a licence area that contains high-impact exploration potential identified from good quality 3D seismic, and with low-cost work commitments in the initial phase. In the event Talon is successful in what is a competitive bid process, a farmout process for the licence will be commenced and drilling partners sought.
Additionally, Talon continues to review prospects to add to its UK North Sea exploration portfolio, with several strong opportunities under consideration.

--ends--

Contact Information
For more information, please contact:

Matt Worner
Managing Director
+61 429 522 924 or matt@talonpetroleum.com.au

Rule 2.7, 3.10.3, 3.10.4, 3.10.5

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 01/07/96 Origin: Appendix 5 Amended 01/07/98, 01/09/99, 01/07/00, 30/09/01, 11/03/02, 01/01/03, 24/10/05, 01/08/12, 04/03/13

Name of entity

Talon Petroleum Limited

ABN

88 153 229 086

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1	+Class of +securities issued or to be issued	1. Fully Paid Ordinary Shares 2. Performance Shares
2	Number of +securities issued or to be issued (if known) or maximum number which may be issued	1. 100,000,000 Fully Paid Ordinary Shares (subject to 12-month voluntary escrow) 2. 300,000,000 Performance Shares

+ See chapter 19 for defined terms.

3	Principal terms of the +securities (e.g. if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)	1. Fully Paid Ordinary Shares (subject to 12-month voluntary escrow) 2. 150,000,000 Class A Performance Shares Upon the achievement of Talon entering into a farm-in or joint venture arrangement, pursuant to which it be provided with sufficient funding to progress its exploration work programme located at the Skymoos Prospect (Licence 2363) from a Phase A to a Phase C programme. The satisfaction of the Class A Performance Share milestone to be evidenced by Talon providing written notice to the Oil and Gas Authority (OGA) 150,000,000 Class B Performance Shares upon the achievement of Talon entering into a farm-in or joint venture arrangement, pursuant to which it be provided with sufficient funding to progress its exploration work programme located at the Rocket Prospect (Licence 2392) from a Phase A to a Phase C programme. The satisfaction of the Class B Performance Share milestone to be evidenced by Talon providing written notice to the OGA.
4	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	1. Yes – Fully Paid Ordinary Shares (subject to 12-month voluntary escrow) 2. No – the Performance Shares will be unlisted. Upon conversion of the Performance Shares new fully paid ordinary shares issued will rank equally in all respects with fully paid ordinary shares.
5	Issue price or consideration	1 & 2 – As announced 31 January 2019, the Company entered into a binding heads of agreement to acquire 100% of issued capital of EnCounter Oil Limited
6	Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)	1 & 2 – The Skymoos Prospect (Licence P2363) & The Rocket Prospect (Licence P2392) as set out in the Company's Notice of Meeting dated 6 February 2019 and following shareholder approval at the meeting dated 12 March 2019.

6a	Is the entity an +eligible entity that has obtained security holder approval under rule 7.1A? If Yes, complete sections 6b – 6h *in relation to the +securities the subject of this Appendix 3B*, and comply with section 6i	Yes
6b	The date the security holder resolution under rule 7.1A was passed	24 May 2018
6c	Number of +securities issued without security holder approval under rule 7.1	Nil
6d	Number of +securities issued with security holder approval under rule 7.1A	Nil
6e	Number of +securities issued with security holder approval under rule 7.3, or another specific security holder approval (specify date of meeting)	1. 100,000,000 Fully Paid Ordinary Shares as approved at the general meeting held 12 March 2019 2. 300,000,000 Performance Shares as approved at the general meeting held 12 March 2019
6f	Number of +securities issued under an exception in rule 7.2	N/A
6g	If +securities issued under rule 7.1A, was issue price at least 75% of 15 day VWAP as calculated under rule 7.1A.3? Include the +issue date and both values. Include the source of the VWAP calculation.	N/A
6h	If +securities were issued under rule 7.1A for non-cash consideration, state date on which valuation of consideration was released to ASX Market Announcements	N/A
6i	Calculate the entity's remaining issue capacity under rule 7.1 and rule 7.1A – complete Annexure 1 and release to ASX Market Announcements	266,518,428 under rule 7.1 177,678,952 under rule 7.1A
7	+Issue dates Note: The issue date may be prescribed by ASX (refer to the definition of issue date in rule 19.12). For example, the issue date for a pro rata entitlement issue must comply with the applicable timetable in Appendix 7A. Cross reference: item 33 of Appendix 3B.	15 May 2019

+ See chapter 19 for defined terms.

		Number	+Class
8	Number and +class of all +securities quoted on ASX (*including* the +securities in section 2 if applicable)	1,676,789,525 100,000,000	Fully Paid Ordinary Shares Subject to 12 months voluntary escrow until 15 May 2020

		Number	+Class
9	Number and +class of all +securities not quoted on ASX (*including* the +securities in section 2 if applicable)	97,500,000 150,000,000 150,000,000	Unlisted Options exercisable at $0.005 expiring 31/12/2020 Class A Performance Shares Class B Performance Shares

10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	The Company does not have a dividend policy

Part 2 - Pro rata issue

11	Is security holder approval required?	N/A
12	Is the issue renounceable or non-renounceable?	N/A
13	Ratio in which the +securities will be offered	N/A
14	+Class of +securities to which the offer relates	N/A
15	+Record date to determine entitlements	N/A
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	N/A
17	Policy for deciding entitlements in relation to fractions	N/A
18	Names of countries in which the entity has security holders who will not be sent new offer documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	N/A
19	Closing date for receipt of acceptances or renunciations	N/A

20	Names of any underwriters	N/A
21	Amount of any underwriting fee or commission	N/A
22	Names of any brokers to the issue	N/A
23	Fee or commission payable to the broker to the issue	N/A
24	Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of security holders	N/A
25	If the issue is contingent on security holders' approval, the date of the meeting	N/A
26	Date entitlement and acceptance form and offer documents will be sent to persons entitled	N/A
27	If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders	N/A
28	Date rights trading will begin (if applicable)	N/A
29	Date rights trading will end (if applicable)	N/A
30	How do security holders sell their entitlements *in full* through a broker?	N/A
31	How do security holders sell *part* of their entitlements through a broker and accept for the balance?	N/A
32	How do security holders dispose of their entitlements (except by sale through a broker)?	N/A
33	+Issue date	N/A

+ See chapter 19 for defined terms.

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

34 Type of +securities
(*tick one*)

(a) ☒ +Securities described in Part 1

(b) ☐ All other +securities

Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

35 ☐ If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders

36 ☐ If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories
1 - 1,000
1,001 - 5,000
5,001 - 10,000
10,001 - 100,000
100,001 and over

37 ☐ A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38	Number of +securities for which +quotation is sought	N/A
39	+Class of +securities for which quotation is sought	N/A
40	Do the +securities rank equally in all respects from the +issue date with an existing +class of quoted +securities? If the additional +securities do not rank equally, please state: 1. the date from which they do 2. the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment 3. the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment	N/A
41	Reason for request for quotation now Example: In the case of restricted securities, end of restriction period (if issued upon conversion of another +security, clearly identify that other +security)	N/A

		Number	+Class
42	Number and +class of all +securities quoted on ASX (*including* the +securities in clause 38)	N/A	

+ See chapter 19 for defined terms.

Quotation agreement

1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.

2 We warrant the following to ASX.

- The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.

- There is no reason why those +securities should not be granted +quotation.

- An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

  Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty

- Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.

- If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.

3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.

4 We give ASX the information and documents required by this form. If any information or document is not available now, we will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here: ..... Date 15 May 2019
(Company Secretary)

Print name: Lauren Nelson

== == == == ==

Appendix 3B – Annexure 1

Calculation of placement capacity under rule 7.1 and rule 7.1A for eligible entities

Introduced 01/08/12 Amended 04/03/13

Part 1

Rule 7.1 – Issues exceeding 15% of capital	
Step 1: Calculate "A", the base figure from which the placement capacity is calculated	
Insert number of fully paid +ordinary securities on issue 12 months before the +issue date or date of agreement to issue	1,020,122,858 Ordinary Fully Paid Shares
Add the following: • Number of fully paid +ordinary securities issued in that 12 month period under an exception in rule 7.2 • Number of fully paid +ordinary securities issued in that 12 month period with shareholder approval • Number of partly paid +ordinary securities that became fully paid in that 12 month period *Note:* • *Include only ordinary securities here – other classes of equity securities cannot be added* • *Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed* • *It may be useful to set out issues of securities on different dates as separate line items*	5 November 2018 – 240,000,000 Ordinary Fully Paid Shares 18 March 2019 – 416,666,667 Ordinary Fully Paid Shares 15 May 2019 – 100,000,000 Ordinary Fully Paid Shares (subject to 12-month voluntary escrow period until 15 May 2020)
Subtract the number of fully paid +ordinary securities cancelled during that 12 month period	Nil
"A"	1,776,789,525

+ See chapter 19 for defined terms.

Step 2: Calculate 15% of "A"	
"B"	0.15 *[Note: this value cannot be changed]*
Multiply "A" by 0.15	266,518,428
Step 3: Calculate "C", the amount of placement capacity under rule 7.1 that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period *not counting* those issued: • Under an exception in rule 7.2 • Under rule 7.1A • With security holder approval under rule 7.1 or rule 7.4 *Note:* • *This applies to equity securities, unless specifically excluded – not just ordinary securities* • *Include here (if applicable) the securities the subject of the Appendix 3B to which this form is annexed* • *It may be useful to set out issues of securities on different dates as separate line items*	0
"C"	0
Step 4: Subtract "C" from ["A" x "B"] to calculate remaining placement capacity under rule 7.1	
"A" x 0.15 *Note: number must be same as shown in Step 2*	266,518,428
Subtract "C" *Note: number must be same as shown in Step 3*	0
Total ["A" x 0.15] – "C"	266,518,428 *[Note: this is the remaining placement capacity under rule 7.1]*

Part 2

Rule 7.1A – Additional placement capacity for eligible entities	
Step 1: Calculate "A", the base figure from which the placement capacity is calculated	
"A" *Note: number must be same as shown in Step 1 of Part 1*	1,776,789,525
Step 2: Calculate 10% of "A"	
"D"	0.10 *Note: this value cannot be changed*
Multiply "A" by 0.10	177,678,952
Step 3: Calculate "E", the amount of placement capacity under rule 7.1A that has already been used	
Insert number of +equity securities issued or agreed to be issued in that 12 month period under rule 7.1A *Notes:* • *This applies to equity securities – not just ordinary securities* • *Include here – if applicable – the securities the subject of the Appendix 3B to which this form is annexed* • *Do not include equity securities issued under rule 7.1 (they must be dealt with in Part 1), or for which specific security holder approval has been obtained* • *It may be useful to set out issues of securities on different dates as separate line items*	0
"E"	0

Step 4: Subtract "E" from ["A" x "D"] to calculate remaining placement capacity under rule 7.1A	
"A" x 0.10 *Note: number must be same as shown in Step 2*	177,678,952
Subtract "E" *Note: number must be same as shown in Step 3*	0
Total ["A" x 0.10] – "E"	177,678,952 *[Note: this is the remaining placement capacity under rule 7.1A]*

+ See chapter 19 for defined terms.