

Quarterly Report for the Period Ending 31 March 2017

Talon Petroleum Limited (ASX: TPD) ("Talon" or "Company") is pleased to present its March 2017 quarterly report.

Highlights

- Produced 434 boe net to Talon during the quarter.

1. Production Profile

Production for the quarter is detailed in the table below:

Quarter ended 31 March 2017	Gross	Net (Talon share) ⁽¹⁾
Gas (mcf)	5,298	391
Oil (bbl)	3,158	369
Total (boe ⁽²⁾)	4,041	434

⁽¹⁾ Talon's beneficial NRI share (after royalties).

⁽²⁾ Gas is converted to boe on the basis that 6 mcf of gas are equivalent to 1 boe.

Talon's average daily production for 1Q17 was 35 bopd and 59 mcfgpd gross (4.1 bopd and 4.3 mcfgpd net) from the two operated vertical wells and one horizontal well located at its MR Olmos project in South Texas.

MR Olmos Project, McMullen County, Texas, USA (Talon 10-100% WI)

Production from the Quintanilla OL 1H (horizontal Olmos) is averaging approximately 32.3 bopd gross (2.4 bopd net) and 101.1 mcfgpd gross (7.5 mcfgpd net) for the period 10 April 2017 to 23 April 2017. The well has produced a cumulative 94,316 bo and 163,047 mcfg (121,490 boe) in its first 927 days of production.

The Wheeler #1 Olmos vertical well is producing 1.1 bopd gross (0.8 bopd net). The other Olmos producer, the Hoskins Unit #1 vertical well, went off production in January 2014 as a result of a hole in the tubing but is being flowed to tanks on occasion as pressure builds for an average of 1.1 bopd gross (0.7 bopd net).

2. Lease Position

Talon's portfolio of development and production assets at 31 March 2017 is summarised in the table below.

Prospect Name	Location	Target	WI	Net Leasehold Acres Held
Mosman Rockingham (MR) Olmos	McMullen County, South Texas	Olmos	10-100%	Approximately 3,620

For further information, please contact Peter Love (Chairman): peter.love@talonpetroleum.com.au or Andrew Crawford (Director and Company Secretary): andrew.crawford@talonpetroleum.com.au.

Glossary:

1Q17:	three months ended 31 March 2017
bbl:	barrels
bcf:	billion cubic feet
boe:	barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 barrel of oil equivalent)
boepd:	barrels of oil equivalent per day (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 boe)
bopd:	barrels of oil per day
bpd:	barrels per day
mcf:	thousand cubic feet
mcf(p)d:	thousand cubic feet per day
mcf(p)d:	thousand cubic feet of gas per day

About Talon Petroleum Limited:

Talon Petroleum Limited is a South Texas focused unconventional petroleum company listed on ASX (ASX code: TPD). Talon's principal asset is its MR Olmos project, located in McMullen County, Texas, USA. Additional information is available on Talon's website: www.talonpetroleum.com.au.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/13, 01/09/16

Name of entity

TALON PETROLEUM LIMITED

ABN

88 153 229 086

Quarter ended ("current quarter")

31 March 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	29	29
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(33)	(33)
(d) staff costs	(29)	(29)
(e) administration and corporate costs	(80)	(80)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(113)	(113)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	-	-
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	-	-

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	275	275
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	275	275

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	401	401
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(113)	(113)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	-
4.4	Net cash from / (used in) financing activities (item 3.10 above)	275	275
4.5	Effect of movement in exchange rates on cash held	(2)	(2)
4.6	Cash and cash equivalents at end of period	561	561

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	306	401
5.2 Call deposits	255	-
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	561	401

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
45
-

6.1 Payment of salary to directors and fees to company secretary and fees to director related parties.

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities	275	275
8.2 Credit standby arrangements	-	-
8.3 Other (please specify)	-	-
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

On 27 March 2017 the group entered into a financing arrangement with an unrelated party to provide a \$275,000 unsecured loan for a period of up to twelve months. The loan carries an interest rate of 15% and had a \$5,000 establishment fee.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	18
9.4 Staff costs	29
9.5 Administration and corporate costs	119
9.6 Other (provide details if material) – Hoskins #2 well plugging	49
9.7 Total estimated cash outflows	215

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced	N/A			
10.2 Interests in mining tenements and petroleum tenements acquired or increased	N/A			

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Director and Company secretary

Date: 28 April 2017

Print name: Andrew James Crawford

Notes

1. The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, AASB 6: Exploration for and Evaluation of Mineral Resources and AASB 107: Statement of Cash Flows apply to this report. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.