

## Quarterly Report for the Period Ending 30 September 2017

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

### Highlights

- Produced 484 boe net to Talon during the quarter.

### 1. Production Profile

Production for the quarter is detailed in the table below:

Quarter ended 30 June 2017	Gross	Net (Talon share) <sup>(1)</sup>
Gas (mcf)	7,704	568
Oil (bbl)	2,657	387
Total (boe <sup>(2)</sup> )	3,941	481

<sup>(1)</sup> Talon's beneficial NRI share (after royalties).

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

Talon's average daily production for 2Q17 was 29 bopd and 84 mcfcpd gross (4.2 bopd and 6.2 mcfcpd 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 26 bopd gross (1.9 bopd net) and 81.1 mcfcpd gross (6.0 mcfcpd net) for the period 1 October 2017 to 15 October 2017. The well has produced a cumulative 99,199 bo and 182,283 mcfcg (129,579 boe) in its first 1,109 days of production.

The Wheeler #1 Olmos vertical well is producing 1.4 bopd gross (1.0 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 2.1 bopd gross (1.5 bopd net).

## 2. Corporate

### Proposed Capital Raising and Board Changes

On 31 July 2017 it was announced that Mr Andrew Crawford resigned as Director and Company Secretary of Talon. Mr Troy Harry was appointed as a Director and Mr Peter Love, the non-executive Chairman of the Company was appointed Company Secretary.

As announced on 9 October 2017, Talon is proposing that subject to shareholder approval, a capital raising be undertaken to fund the ongoing activities and growth of the Company, in a process to be managed by Chieftain Securities Pty Ltd. It is also proposed that two new directors be appointed to the company, Mr Roger Steinepreis and Mr Matthew Worner. It is also proposed that an existing director, Mr Peter Evans, retire at the completion of the capital raising. A Notice of Meeting to consider the resolutions is expected to be lodged shortly.

## 3. Lease Position

### Dispute with Lessors

As first announced on 4 July 2017, Talon received a letter from a Lessor on part of its McMullen County, Texas, Mosman Rockingham (MR) Olmos acreage disputing Talon's leasehold position on specific leases. Talon has subsequently corresponded with the lessor and the two parties are still in dispute over the status of the leases in question. More information will be provided to the market if there is a material development in the dispute.

Subsequent to quarter end, Talon received a request for a partial termination of lease on the Quintanilla lease of the MR Olmos project. Talon is in the process of responding to this correspondence.

### Contact Information

For further information, please contact Peter Love (Chairman): [peter.love@talonpetroleum.com.au](mailto:peter.love@talonpetroleum.com.au)

### Glossary

<b>2Q17:</b>	three months ended 30 June 2017
<b>bbl:</b>	barrels
<b>bcf:</b>	billion cubic feet
<b>boe:</b>	barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 barrel of oil equivalent)
<b>boepd:</b>	barrels of oil equivalent per day (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 boe)
<b>bopd:</b>	barrels of oil per day
<b>bpd:</b>	barrels per day
<b>mcf:</b>	thousand cubic feet
<b>mcf(p)d:</b>	thousand cubic feet per day
<b>mcfg(p)d:</b>	thousand cubic feet of gas per day

## 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")

30 September 2017

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (12 months) \$A'000
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	35	73
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(40)	(95)
(d) staff costs	(20)	(78)
(e) administration and corporate costs	(51)	(252)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	-	2
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) - Hoskins #2 well plugging	-	(43)
<b>1.9 Net cash from / (used in) operating activities</b>	<b>(76)</b>	<b>(393)</b>

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

<b>Consolidated statement of cash flows</b>		<b>Current quarter \$A'000</b>	<b>Year to date (12 months) \$A'000</b>
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)	-	-
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>-</b>	<b>-</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
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
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) – Unclaimed money returned to the Company in connection with the 2015 Small Lot Process	-	63
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>-</b>	<b>338</b>

<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	420	401
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(76)	(393)
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)	-	338

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (12 months) \$A'000
4.5	Effect of movement in exchange rates on cash held	(1)	(3)
4.6	<b>Cash and cash equivalents at end of period</b>	<b>343</b>	<b>343</b>

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	45	56
5.2	Call deposits	298	364
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>343</b>	<b>420</b>

**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

22

-

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.	<b>Financing facilities available</b> <i>Add notes as necessary for an understanding of the position</i>	<b>Total facility amount at quarter end \$A'000</b>	<b>Amount drawn at quarter end \$A'000</b>
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.	<b>Estimated cash outflows for next quarter</b>	<b>\$A'000</b>
9.1	Exploration and evaluation	-
9.2	Development	-
9.3	Production	5
9.4	Staff costs	29
9.5	Administration and corporate costs	42
9.6	Other (provide details if material)	-
9.7	<b>Total estimated cash outflows</b>	<b>76</b>

10.	<b>Changes in tenements (items 2.1(b) and 2.2(b) above)</b>	<b>Tenement reference and location</b>	<b>Nature of interest</b>	<b>Interest at beginning of quarter</b>	<b>Interest at end of quarter</b>
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: Peter Love  
Director

Date: 31 October 2017

Print name: Peter Love

### **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.