

Quarterly Report for the Period Ending 31 December 2017

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

Highlights

- Produced 447 boe net to Talon during the quarter.

1. Production Profile

Production for the quarter is detailed in the table below:

Quarter ended 31 December 2017	Gross	Net (Talon share) ⁽¹⁾
Gas (mcf)	6,178	456
Oil (bbl)	2,756	371
Total (boe ⁽²⁾)	3,786	447

⁽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 4Q17 was 27 bopd and 67 mcfgpd gross (4.0 bopd and 5.0 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 23.4 bopd gross (1.7 bopd net) and 67.3 mcfgpd gross (5.0 mcfgpd net) for the period 7 January 2018 to 21 January 2018. The well has produced a cumulative 101,246 bo and 187,907 mcfg (132,564 boe) in its first 1,200 days of production.

The Wheeler #1 Olmos vertical well is producing 1.6 bopd gross (1.17 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 1.9 bopd gross (1.36 bopd net).

2. Corporate

As announced on 4 December 2017, Mr Peter Evans resigned as a director of Talon. The board welcomed two new non-executive directors, Mr Roger Steinepreis and Mr Matthew Worner. Miss Lauren Nelson was appointed as Company Secretary on 15 January 2018, following Mr Peter Love's resignation.

On 22 December 2017, it was announced the Company closed its share placement raising \$2,300,000 before costs through the issue of 766,666,667 ordinary shares at \$0.003 each.

The funds will be used for the repayment of an outstanding \$300,000 loan, the completion of a technical strategic review of Talon's MR Olmos project and to fund Talon's search for new growth assets to deliver material shareholder value, as announced on 9 October 2017. Chieftain Securities Pty Ltd (AFSL 492850) was the lead manager on the raising and is corporate advisor to the Company.

3. Lease Position

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. There have been no further developments on this matter since the market update in the September 2017 Quarterly Report. More information will be provided to the market if there is a material development in the dispute.

As disclosed in the September 2017 Quarterly Report, Talon received a request for a partial termination of lease on the Quintanilla lease of the MR Olmos project. Talon has advised the Lessor that Talon disputes the quantum of acreage to be terminated under the terms of the lease. Further information will be provided to the market when available.

Contact Information

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

Glossary

2Q17:	three months ended 31 December 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
mcfg(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 December 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	26	99
1.2	Payments for		
	(a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(31)	(126)
	(d) staff costs	(13)	(90)
	(e) administration and corporate costs	(49)	(302)
1.3	Dividends received (see note 3)	-	-
1.4	Interest received	-	2
1.5	Interest and other costs of finance paid	(1)	(1)
1.6	Income taxes paid	-	-
1.7	Research and development refunds	-	-
1.8	Other (provide details if material) - Hoskins #2 well plugging	-	(43)
1.9	Net cash from / (used in) operating activities	(68)	(461)

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	2,300	2,300
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	(11)	(11)
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
3.10	Net cash from / (used in) financing activities	2,289	2,627

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	343	401
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(68)	(461)
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)	2,289	2,627

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	-	(3)
4.6	Cash and cash equivalents at end of period	2,564	2,564

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	2,564	45
5.2	Call deposits	-	298
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)	2,564	343

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**

21

-

6.1 Payment of salary to directors 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**

-

-

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 an unsecured financing arrangement with an entity controlled by Mr Troy Harry to provide a \$275,000 unsecured loan for a period of up to twelve months. On 31 July 2017, Mr Troy Harry was appointed as a director of the Company. The loan carried an interest rate and had an establishment fee. In December 2017, Mr Harry agreed to full and final settlement of interest and establishment fee obligations for \$25,000 to be paid, along with the repayment of the principal amount in January 2018.

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	45
9.2 Development	-
9.3 Production	5
9.4 Staff costs	30
9.5 Administration and corporate costs	42
9.6 Other – Loan and interest repayment	300
9.7 Total estimated cash outflows	421

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: Peter Love
Director

Date: 31 January 2018

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.