

Quarterly Report for the Period Ending 31 March 2018

Talon Petroleum Limited (ASX: TPD) (“Talon” or “Company”) is pleased to present its March 2018 quarterly report.

1. New Ventures Update

Post the end of the period and as advised on 26 April 2018, Talon has been shortlisted for the next stage of a licensing process for a total of six onshore and offshore exploration blocks being undertaken by The Republic of the Gambia.

Other companies shortlisted include CNOOC, FAR Limited, Petronas, Total, Woodside Petroleum and Svenska Petroleum.

The Gambia is part of the Mauritania, Senegal, Gambia, Bissau, Conakry (MSGBC) Basin. In recent years, the MSGBC Basin has seen the drilling of several giant oil and gas discoveries with more than 5 billion barrels of oil equivalent intersected including the SNE oil field (641mmbbls 2C resource), Yakaar-1 discovery well (estimates of 15Tcf), Guembeul-1 discovery (estimates of ~25Tcf) and Tortue-1 (estimates of 5-8 TCF).

The Gambia is very lightly explored but its location in the MSGBC Basin and potential for source rocks and play types responsible for so much recent regional success makes it a highly desirable exploration destination.

In addition, Talon continues to actively screen new asset opportunities to bring additional, high value assets into the Company’s portfolio. Talon’s present focus is on assets that meet the following criteria:

- Low cost of entry
- Non-operated
- Conventional play types with a preference for oil
- High initial, near term upside with significant follow on potential in project areas

Several high impact opportunities are currently being assessed by Talon and while the Company is hopeful that it will make meaningful progress in its process over the coming months.

2. Production Profile

Production from the Company’s MR Olmos Project, McMullen County, Texas, USA for the quarter is detailed in the table below:

Quarter ended 31 March 2018	Gross	Net (Talon share) ⁽¹⁾
Gas (mcf)	7,001	516
Oil (bbl)	2,493	436
Total (boe ⁽²⁾)	3,659	522

⁽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.

3. Lease Position

As previously advised, the Company has received correspondence from Lessors disputing specific leasehold positions at Talon's MR Olmos acreage. No further developments have arisen since the release of the Company's previous Quarterly Report.

Contact Information

For further information, please contact Matt Worner: matt@talonpetroleum.com.au

Glossary

bbl:	barrels
boe:	barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 barrel of oil equivalent)
mcf:	thousand cubic feet

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 2018

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	43	43
1.2 Payments for		
(a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(38)	(38)
(d) staff costs	(47)	(47)
(e) administration and corporate costs	(74)	(74)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	3	3
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)	-	-
1.9 Net cash from / (used in) operating activities	(114)	(114)

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 (3 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	(10)	(10)
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	(300)	(300)
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	(310)	(310)

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	2,564	2,564
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(114)	(114)
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)	(310)	(310)
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	2,140	2,140

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	2,140	-
5.2 Call deposits	-	-
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)	2,140	-

6. Payments to directors of the entity and their associates	Current quarter \$A'000
6.1 Aggregate amount of payments to these parties included in item 1.2	32
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	
6.1 Director's fees	

7. Payments to related entities of the entity and their associates	Current quarter \$A'000
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	
NIL	

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	-	-
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.		
NIL		

9.	Estimated cash outflows for next quarter	\$A'000
9.1	Exploration and evaluation	-
9.2	Development	-
9.3	Production	(6)
9.4	Staff costs	(52)
9.5	Administration and corporate costs	(79)
9.6	Other	-
9.7	Total estimated cash outflows	(137)

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

Date: 27 April 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.