



31 July 2014

## Quarterly Report - June 2014

Talon Petroleum Limited (ASX: TPD) continued to progress its US-based energy projects during the three months ended 30 June 2014 (2Q14), delivering further opportunities for growth and value creation.

### 2Q14 highlights:

- Roundhouse Prospect: Final insurance compensation for Bonner 1H received
- Roundhouse – Rodessa: Recently spud Brice Bonner #1 well averaging 34 bopd
- Mosman Rockingham (MR) Olmos Project:
  - First horizontal Olmos well anticipated to spud in August 2014
  - Negotiations in progress to expand MR Olmos position
- Angourie Prospect: Encouraging drilling results likely to generate revenue from September 2014
- Corporate:
  - Cost reduction strategy initiated
  - Launched 1-for-1 fully underwritten entitlement offer to raise A\$1.12 million

### 3Q14 focus:

- Completion of fully underwritten entitlement offer
- Drill first horizontal well at MR Olmos Project (anticipated to spud in August 2014)
- Consolidate Rodessa position
- Monitor production performance at Angourie Prospect
- Assess performance of Bonner 1H and Brice Bonner #1 wells

During 2Q14 Talon continued to progress its strategy of investing in multi-well oil projects. These projects are located within areas with good production infrastructure employing horizontal or vertical drilling and advanced fracing technologies, consistent with the Company's strategy. Talon's projects target oil or liquids rich gas projects in resource plays (shales) or in low permeability conventional reservoirs that originally produced only a small fraction of the hydrocarbons in-place (old fields with tight reservoirs) where recoveries can be improved with new technologies. A summary and location of Talon's projects is set out in the Annexures.

As Talon progresses its strategy, funding to drill the proof of concept tests in projects where the Company retains a large acreage position will come from selling down to industry players, with the Company retaining significant interest, while securing funding and applying the best technologies.

## 1. Production Profile

Production for the quarter was:

	Quarter 3 months ended 30 June 2014	Year to date 6 months ended 30 June 2014
<b>Gross:</b>		
Gas (mcf)	5,352	5,352
Oil (bbl)	5,823	10,822
Total (boe <sup>(2)</sup> )	6,715	11,714
<b>Net (Talon share): <sup>(1)</sup></b>		
Gas (mcf)	918	918
Oil (bbl)	1,437	2,746
Total (boe <sup>(2)</sup> )	1,590	2,899

<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 share of average daily production for 2Q14 was 64 bopd and 59 mcfgpd gross (16 bopd and 1 mcfgpd net) from the two operated vertical wells located at its MR Olmos project in South Texas, the non-operated Bonner 1H CVL horizontal, and the Brice Bonner #1 Rodessa wells located at its Roundhouse Prospect in East Texas.

Production from the Wheeler #1 Olmos vertical well is slowly declining and the well has been producing 7.7 bopd gross (5.5 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. Talon is currently evaluating returning the well to production or waiting and exploiting the Olmos by means of a new horizontal well.

The non-operated Bonner 1H horizontal well continues to flow back frac load water and had produced 109% of the load water as at 29 July 2014. The well has averaged 39 bopd (7.1 bopd net) per producing day in 2Q14. The well produces a combination of formation water and load water.



## **2. Review of activities during 2014**

### **Roundhouse Prospect – Cotton Valley Lime**

The final insurance claim payment of US\$102,774 for the Bonner 1H casing failure has been received. The total amount received including the final payment is US\$786,898.17 which is approximately 95.6% of the recovery possible under Talon's insurance policy.

The well will be monitored over the next few months to ascertain the need to lower the pump and/or to clean the lateral of potential debris to increase the oil cut. The operator recently serviced the jet pump which resulted in an increase from 30 bopd to 42 bopd.



### **Roundhouse Prospect - Rodessa**

The Brice Bonner #1 well spud on 17 April 2014, was drilled to total depth and 5.5 inch production casing was set at 6,255 feet. The well is averaging 34 bopd and 95 bwpd gross. A successful completion in the Rodessa sets up offset drilling opportunities on the Company's 97% owned acreage.

### **Mosman Rockingham (MR) Olmos**

Drilling contractor, Orion Drilling, LLC has been engaged for the project and location construction has commenced. Talon's US subsidiary will be the operator of the Quintanilla 1H well with a WI of 10%, and the well is expected to be spudded in August 2014. The total measured depth of the well will be 13,575 feet (8,950 feet TVD) with a lateral length of 4,300 feet. The planned completion will involve a 9 to 14-stage frac using the perf-and-plug method.

Talon is looking to expand its MR Olmos position to increase the number of wells. A letter of intent has been negotiated with an offset operator to evaluate the commercial outcome of joining acreage to increase the number of potential horizontal wells and to place them in a more favourable position relative to the orientation of the well bore and the resulting optimal direction of the frac plane.

### **Angourie (Yegua) Prospect**

The Scherer #2 well spud on 8 May 2014 reaching a total depth of 6,694 feet on 21 May 2014. The well logged sixteen feet of hydrocarbon bearing sandstone and was completed into an existing pipeline in seven weeks. The preliminary initial well test was 800 mcfcpd and 8 bcpd on an 8/64 inch choke with a flowing tubing

pressure of 2050 psi. The operator is currently producing at restricted rates until the 3rd party pipeline is cleared of fluids in the line at which time a four-point test will be conducted to more thoroughly understand the well's full production potential. The Company expects the well to start generating revenue from September 2014.

### **Sunshine Prospect**

The Devine #1 well tested a Wilcox "Roeder" sand at 1 mmcfd and 25 bopd. The Company has a BIAPO and right to participate in an offset well at a 10% WI. The operator is currently securing a right of way for the pipe line tie-in.

### **Dunsborough and Coolangatta Prospects**

Additional leasing on both prospects is underway by co-participants in the prospects.

### **East Texas (Rodessa) Prospects**

There have been no exploration activities during 2014 on the East Texas (Rodessa) Prospects.

Talon is currently marketing the East Banks prospect where it holds approximately 950 acres. A test well is planned in 2015 after marketing is complete. The Company may sell down some of its interest to leverage its position on the initial drilling in this play, which is consistent with Talon's strategy employed on other projects.

## **3. Corporate overview**

### **Issue of Shares to Wandoo**

During 2014 the Company issued the remaining 480,000 Shares to Wandoo as part consideration for the acquisition by Texoz E&P II, Inc. ("Texoz"), a subsidiary of the Company's previous parent entity Texon, of the WI from Wandoo in its Eagle Ford Shale assets in Texas USA under an agreement between Texoz and Wandoo dated 18 October 2012 as part of the Demerger Scheme and Acquisition Scheme approved by shareholders on 25 February 2013 and implemented on 7 and 8 March 2013, respectively. Total issued Shares are now 102,615,433 and the outstanding unlisted options remain unchanged at 5,450,000.

### **AGM**

The Company's second AGM was held on 30 May 2014 with all resolutions being passed.

### **Retirement of Non-Executive Director**

Non-Executive Director Mr David Mason retired from the Board effective 25 June 2014. Mr Mason will continue his involvement with Talon through the Prospect Generation Agreement with Wandoo, of which David is the founder and majority shareholder. In addition David will continue to provide technical advice to the Board through his involvement with Wandoo.

## Corporate Cost Reduction Strategy

The Company over recent times has been actively pursuing cost reduction initiatives. The Board costs have been reduced by 20% following the recent retirement of Mr David Mason. The Company has no plans to appoint a new Director to fill this vacancy as it believes the current Board composition is adequate for a company of Talon's size. In addition, the remaining Non-Executive Directors have agreed to take 50% of their remuneration in Shares in lieu of cash payments. The Managing Director, President and CEO, Mr Cliff Foss has also agreed to take 33% of his remuneration in Shares. Both of these actions will require shareholder approval at an extraordinary general meeting, which is anticipated to be held in September 2014. The Company is looking at a number of other corporate cost saving measures to reduce its non-operating costs.

## Entitlement Offer to raise A\$1.12 million

On 22 July 2014 the Company launched a fully-underwritten non-renounceable pro-rata entitlement offer to raise approximately A\$1.12 million (before offer costs) to assist with funding its immediate forward work program.

The Entitlement Offer is fully underwritten by Morgans Corporate Limited and partially sub-underwritten by the Company's Chairman Mr Jeff Forbes, and Non-Executive Directors Mr Angus Douglas and Mr Bruce Cowley.<sup>1</sup>

Eligible shareholders will be entitled to subscribe for 1 new Share for every 1 Share held. The record date for the offer is Monday, 28 July 2014. The issue price of \$0.011 under the Entitlement Offer represents a discount of approximately 15.4% to the close of \$0.013 per Share on Monday, 21 July 2014 before the Entitlement Offer was announced.

When combined with the Company's current cash balance of approximately A\$1.7 million<sup>2</sup> as at 30 June 2014, the Company will hold approximately A\$2.8 million following successful completion of the Entitlement Offer, which will ensure the Company is funded for its immediate forward work program, which primarily consists of appraisal drilling. The currently proposed targets are at the Company's:<sup>3</sup>

- Mosman Rockingham (MR) Olmos assets (approximately A\$0.64 million (US\$0.6 million));
- East Banks - Rodessa assets (approximately A\$0.54 million (US\$0.5 million)); and
- Coolangatta assets (approximately A\$0.32 million (US\$0.3 million)).

Drilling of the East Banks - Rodessa assets is dependent upon finalization of leasing work, sell down and lease title clearance and the drilling of the Coolangatta assets is dependent upon finalization of leasing work, and should any of these targets fail to materialize, the Company plans to utilize the funds raised under the Entitlement Offer for appraisal drilling at the Company's other projects.

Costs associated with the Offer (of approximately A\$130,000) will be met from the Company's cash reserves.

Further details of the Entitlement Offer are contained in the Entitlement Offer Booklet, copies of which are available on the Company's and ASX websites and will be despatched to eligible shareholders on or around 31 July 2014.

<sup>1</sup> Directly or through their associated entities.

<sup>2</sup> Using A\$1 = US\$0.93 exchange rate.

<sup>3</sup> Using A\$1 = US\$0.93 exchange rate.

#### **4. Outlook for 2H14:**

The next six months will be a busy period for Talon driven by the Company's planned drill programs and results coming from the proof of concept wells already in play.

Talon has been attracting considerable interest in the US, where the Company has been successful in securing the support and participation of experienced and well regarded North American energy companies, which augurs well for future activities.

– ENDS –

**For further information, please contact:**

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**About Talon Petroleum Limited:**

Talon Petroleum Limited is a Texas and Gulf Coast focused exploration and appraisal company listed on ASX (ASX code: TPD). Talon's strategy is to invest in multi-well oil projects that are located within areas with good production infrastructure employing horizontal drilling and advanced fracking technologies. The projects target oil in resource plays (shales) or in low permeability conventional reservoirs that originally produced only a small fraction of the hydrocarbons in-place (old fields with tight reservoirs) where recoveries can be improved with new technologies. Funding to drill the proof of concept tests in the early projects will come from selling down in large acreage blocks. Talon's current portfolio reflects the strategy and consists of seven projects located in East and South Texas, USA. Talon is headquartered in Brisbane, Australia with an office in Houston, Texas, USA. Additional information is available on Talon's website: [www.talonpetroleum.com.au](http://www.talonpetroleum.com.au)

## Annexures

### Annexure 1 – Location of Talon Projects in the USA



#### South Texas Prospect Area

- Mosman-Rockingham Olmos Oil Development
- Dunsborough
- Coolangatta
- Sunshine
- Angourie

#### East Texas Prospect Area

- East Banks
- Redfish
- Catfish Creek
- Roundhouse

## Annexure 2: Talon's portfolio of exploration, development and production assets as at 30 June 2014

Prospect Name	Location	Target	WI	Net Leasehold Acres held
Roundhouse	Navarro County, East Texas	Rodessa & Cotton Valley Lime	1-97%	Approximately 6,860
Mosman Rockingham (MR) Olmos	McMullen County, South Texas	Olmos	10-100%	Approximately 3,620
East Banks	Henderson County, East Texas	Rodessa	82%	Approximately 800
Catfish Creek	Anderson County, East Texas	Rodessa	97%	Approximately 1,175
Redfish	Smith County, East Texas	Rodessa	97%	Approximately 695
Coolangatta	Colorado County, South Texas	Wilcox	25%	Approximately 54 Assignment pending
Angourie	Jackson County, South Texas	Yegua	10%	Approximately 23
Dunsborough	Jackson County, South Texas	Cook Mountain	15%	Approximately 45
Sunshine	DeWitt County, South Texas	Wilcox	10%	Awaiting Assignment
<b>TOTAL:</b>				<b>Approximately 13,270</b>



## **Annexure 3 – Background Information\***

### **Roundhouse Prospect – Cotton Valley Lime**

The Roundhouse Prospect is located in Navarro County, Northeast Texas adjacent to the large Cheneyboro field. Talon has over 6,860 net acres and during 2013 entered into a joint arrangement with a local US company and offset operator, O'Brien Energy Company (O'Benco), in a proof of concept well, the Bonner 1H. Talon has approximately a 24% WI in the well and surrounding 600 acres of Cotton Valley Lime formation leveraging at modest cost its position in this oil rich play and still retaining all its interest in adjacent leasehold.

### **Roundhouse Prospect - Rodessa**

O'Benco, as operator of 600 acres within the Roundhouse Prospect, recently completed drilling of a vertical well (Brice Bonner #1) to test the Woodbine and Rodessa formations, shallower oil formations to the Cotton Valley Lime tested by the Bonner 1H well. There is minor production in the area from these formations, and so to obtain the maximum information from the well which could impact the Company's 7,000 acres position in the area but limit the Company's capital exposure for what is thought to be a risky proposition, the Company retained a 1% WI in the Brice Bonner #1 well.

### **Mosman Rockingham (MR) Olmos**

The Mosman Rockingham (MR) Olmos sand horizontal oil play is located in McMullen County, South Texas. With over 3,800 gross leasehold acres, there is potential for an additional 14 horizontal well locations in which Talon currently has approximately 3,680 net leasehold acreage with WI varying between 10 and 100% WI. Based on nearby analog horizontal well performance, the gross contingent resource potential (1C) is estimated to be in a range of potential outcomes of 235-327 mboe/well.

The MR Olmos leases lie on the flank of the AWP field which has produced 48.9 mmbo and 490.5 bcf from the Olmos sandstone reservoir. Historically, the Olmos reservoir was developed with vertical wells, two of which have or are producing in the MR Olmos leases. Talon believes that through the use of modern day horizontal drilling and hydraulic fracturing the productive capacity can be greatly enhanced and the leases more efficiently developed.

The MR Olmos project is located approximately 18 miles away from the highly successful STS Olmos Project where 8 successful wells have been drilled and 160 gross additional drilling locations have been identified.

In February 2014, Talon formed a new joint participation group with Terrace STS LLC (TSXV:TZR, OTCQX:TCRRF, FRANKFURT:2TR) ("Terrace") (33.3%), Aschere Energy LLC ("Aschere") (16.7%) and Eagle Ford Shale Exploration, LLC ("EFSE") (40%) to jointly develop a small 199-acre Quintanilla lease and participate in the proof of concept (Quintanilla 1H) horizontal Olmos well. This initiative is in line with Talon's strategy to minimize the cost of the initial test well (10% WI) of a project while maintaining a material position in the surrounding leasehold (50% WI). The Company will look to leverage any success at the test well program, which would have potentially positive impact on shareholder value. Terrace and Aschere hold an option over the remaining 50% Olmos leased acreage and production from existing wells.

### **Angourie (Yegua) Prospect**

The Angourie (Yegua) play is located in the Jackson County, South Texas and is prospective for gas condensate with approximately 237 acres leased of which Talon has a 10% WI. Based on analog performance, the estimated contingent resource potential (1C) is 229 mboe/vertical well.

### **Sunshine Prospect**

The Sunshine Prospect is located in the DeWitt County, South Texas and is prospective for gas condensate. Based on analog performance the estimated contingent resource potential (1C) is 192 mboe/vertical well. Talon has a 10% WI after payout of the first well and a 10% WI in any new well on the prospect.

### **Dunsborough Prospect**

The Dunsborough Prospect is located in the Jackson County, South Texas and is prospective for gas condensate with approximately 300 acres leased by prospect generator of which Talon is entitled to 15% WI. Based on analog performance the estimated contingent resource potential (1C) is 543 mboe/vertical well.

### **Coolangatta Prospect**

The Coolangatta Prospect is located in the Colorado County, South Texas and is prospective for gas condensate with approximately 222 acres leased by Talon of which it will retain a 25% WI. Based on analog performance the estimated contingent resource potential (1C) is 524 mboe/vertical well.

### **East Texas (Rodessa) Prospects**

The East Texas Rodessa Oil play located in Henderson, Anderson and Smith counties is strategically a good fit for Talon as the prospects of Catfish Creek, Redfish and East Banks are all sizable projects of approximately 5,000 acres each.

Talon currently has approximately 2,600 net acres under lease and is continuing to pursue leasehold opportunities with a target position of up to 20,000 acres. These projects are in an infrastructure-rich environment in and around older producing fields. The target objective in these areas meets the criteria for tight oil or liquids rich reservoirs, thus making it a prime target for fracking in vertical and horizontal wells. Based on analog performance for a vertical well, the estimated contingent resource potential (1C) is 142 mboe/vertical well.

(\*) The estimates provided above are intended to describe the maximum available value of Talon's current net lease holdings under certain reasonable assumptions and should not be accepted as absolute.

## Annexure 4 - Glossary:

2H14:	six months ended 31 December 2014
2Q14:	three months ended 30 June 2014
3Q14:	three months ended 30 September 2014
\$ or A\$:	Australian dollars
Acquisition Scheme:	the acquisition of Texon by SEA by way of a scheme of arrangement implemented on 8 March 2013 as further described in the Acquisition Scheme Booklet released on 22 January 2013
AGM:	Annual General Meeting
Aschere:	Aschere Energy LLC, a US-based oil & gas exploration and production company
ASX:	ASX Limited (ACN 008 624 691) or, if the context requires, the securities market operated by it
bbl:	barrels
bcf:	billion cubic feet
bcpd:	barrels of condensate per day
BIAPO:	back-in after payout
boe:	barrels 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
bwpd:	barrels of water per day
Company or Talon:	Talon Petroleum Limited
Demerger Scheme:	the Company's demerger from its previous parent entity Texon by way of a scheme of arrangement that was implemented on 7 March 2013 and subsequent listing on the ASX as further described in the Demerger Scheme Booklet released on 22 January 2013
EFSE:	Eagle Ford Shale Exploration, LLC, a US-based oil & gas exploration and production company
Entitlement Offer:	the non renounceable entitlement offer to eligible shareholders as at the Record Date to subscribe for 1 new Share for every 1 existing Share at A\$0.011 per new Share.
mboe:	thousand barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 boe)
mcf:	thousand cubic feet
mcf(p)d:	thousand cubic feet per day
mcf(g)p(d):	thousand cubic feet of gas per day
mcf(g)p(d):	thousand cubic feet of gas per day
mmbo:	million barrels of oil
mmboe:	million barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 boe)
mmcf(p)d:	million cubic feet per day
mmcf(g)p(d):	million cubic feet of gas per day
NRI:	net revenue interest or share of production after all burdens such as royalties have been deducted from the WI
O'Benco:	the operational arm of O'Brien
O'Brien:	a private oil and gas exploration and production company located in Shreveport, Louisiana
psi:	pounds per square inch
SEA:	Sundance Energy Australia Limited
Share:	a fully paid ordinary share in the capital of the Company.
Terrace:	Terrace STS LLC, a Canadian based oil & gas exploration and production company
Texon:	Texon Petroleum Limited
Texoz:	Texoz E&P II, Inc.
TVD:	True Vertical Depth
US\$:	U.S. dollars
Wandoo:	Wandoo Energy, LLC
WI:	working interest, a cost bearing interest of an oil and gas project

# 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, 01/05/2013

Name of entity

TALON PETROLEUM LIMITED

ABN

88 153 229 086

Quarter ended ("current quarter")

30 June 2014

### Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
<b>Cash flows related to operating activities</b>			
1.1	Receipts from product sales and related debtors	74	231
1.2	Payments for (a) exploration & evaluation	(323)	(1,428)
	(b) development	-	-
	(c) production	(44)	(80)
	(d) administration <sup>(1)</sup>	(416)	(798)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) <sup>(2)</sup>		(336)
	<b>Net Operating Cash Flows</b>	(708)	(2,408)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	(5)	(5)
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	4
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	<b>Net investing cash flows</b>	(5)	(1)
1.13	Total operating and investing cash flows (carried forward)	(713)	(2,409)

+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(713)	(2,409)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	-	-
	<b>Net increase (decrease) in cash held</b>	(713)	(2,409)
1.20	Cash at beginning of quarter/year to date <sup>(2)</sup>	2,421	4,193
1.21	Exchange rate adjustments to item 1.20	(18)	(94)
1.22	<b>Cash at end of quarter</b> <sup>(3)</sup>	1,690	1,690

(1) Item 1.2 (d) was over budget for the quarter primarily due to unforeseen legal costs.

(2) Item 1.20 for the six months ended 30 June includes \$1,481 in restricted funds held in escrow pursuant to the Texon Petroleum Ltd / Sundance Energy Australia Limited Scheme Implementation Agreement. The funds were due to be released to Talon in September 2013, however, legal claims were asserted by SEA on 7 September 2013. Settlement between the parties was reached on 25 March 2014 and a provision of \$336 (Item 1.7) was recorded pursuant to the terms of the settlement deed. Talon received net funds of \$1,145 in April 2014.

(3) Item 1.22 as announced on 22 July 2014 Talon has launched fully-underwritten non-renounceable entitlement offer to raise approximately A\$1.12 million (before costs). Further details are contained in the Entitlement Offer Booklet lodged with the ASX.

### Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	227
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

#### 1.25 Explanation necessary for an understanding of the transactions

1.23 – Payment of salaries and fees to directors, secretary, advisors (Morgans Corporate Limited and Minter Ellison) and related parties (i.e. Wandoo Energy LLC) under approved agreements.

+ See chapter 19 for defined terms.

## **Non-cash financing and investing activities**

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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## **Financing facilities available**

*Add notes as necessary for an understanding of the position.*

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	N/A
3.2 Credit standby arrangements	Nil	N/A

## **Estimated cash outflows for next quarter**

	\$A'000
4.1 Exploration and evaluation	246
4.2 Development	673
4.3 Production	43
4.4 Administration	367
<b>Total</b>	<b>1,329</b>

## **Reconciliation of cash**

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	1,690	1,276

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+ See chapter 19 for defined terms.

## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

5.2	Deposits at call	-	-
5.3	Bank overdraft	-	-
5.4	Other (provide details) <sup>(4)</sup>	-	1,145
<b>Total: cash at end of quarter (item 1.22) <sup>(5)</sup></b>		<b>1,690</b>	<b>2,421</b>

(4) Amount includes \$1,481 in restricted funds held in escrow pursuant to the Texon Petroleum Ltd / SEA Scheme Implementation Agreement ("SIA") less a provision of \$336 pursuant to the terms of a settlement reached on 25 March 2014. Talon received net funds of \$1,145 in April 2014.

(5) As announced on 22 July 2014 Talon has launched fully-underwritten non-renounceable entitlement offer to raise approximately A\$1.12 million (before costs). Further details are contained in the Entitlement Offer Booklet lodged with the ASX.

### Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed <sup>(6)</sup>	South Texas	4,438	3,744
6.2	Interests in mining tenements and petroleum tenements acquired or increased	East Texas	9,917	9,548

(6) Subject to Terrace and Aschere option on 1,800 net acres (3,600 @ 50%).

### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> (description)	None			

+ See chapter 19 for defined terms.

**Appendix 5B**

**Mining exploration entity and oil and gas exploration entity quarterly report**

7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	None			
7.3	<b>+Ordinary securities</b>	102,615,433	102,615,433		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(a) 480,000	(a) 480,000	(a) N/A	(a) 20.5 cents
7.5	<b>+Convertible debt securities</b> (description)	None			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	None			
7.7	<b>Options</b> (description and conversion factor)	OP1: 1,200,000 OP2: 1,100,000 OP3: 1,100,000 OP4: 1,200,000 OP5: 283,338 OP6: 283,331 OP7: 283,331 OP5: 66,668 OP6: 66,666 OP7: 66,666	Nil Nil Nil Nil Nil Nil Nil Nil Nil Nil	Exercise price \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675	Expiry date 07/03/2019 07/03/2020 07/03/2021 20/06/2018 07/03/2019 07/03/2020 07/03/2021 07/03/2019 07/03/2020 07/03/2021
7.8	Issued during quarter	None			
7.9	Exercised during quarter	None			
7.10	Expired during quarter	None			

+ See chapter 19 for defined terms.



## Appendix 5B

### Mining exploration entity and oil and gas exploration entity quarterly report

7.11	<b>Debentures</b> (totals only)	None	
7.12	<b>Unsecured notes</b> (totals only)	None	

## Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does /does not\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: .....  
(~~Director~~/Company secretary)

Date: 31 July 2014

Print name: Anastasia Maynes

## 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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.