



31 October 2014

Quarterly Report - September 2014

Talon Petroleum Limited (ASX: TPD) continued to progress its US-based energy projects during the three months ended 30 September 2014 (3Q14), delivering further opportunities for growth and value creation.

3Q14 highlights:

- Mosman Rockingham (MR) Olmos Project:
 - First horizontal Olmos well spud in August 2014 and tested 986 boepd in October 2014
 - Negotiations in progress to expand MR Olmos acreage position
 - A ruling from the September 2014 A.W.P. (Olmos) Field Rules hearing expected to be delivered in 1Q15 and would increase the number of wells Talon could drill
- Angourie Prospect:
 - Initial revenues in September 2014
- Increased 3P Reserves: 1P reserves of 131 mboe, 2P reserves of 595 mboe and 3P reserves of 2,735 mboe as at mid-year 2014 which is an increase of 31% over the 3P reserves of 2,093 mboe at mid-year 2013 for the Olmos formation.¹
- Corporate:
 - Completed 1-for-1 fully underwritten entitlement offer that raised A\$1.12 million
 - Mr Peter Love appointed as a Non-Executive Director
 - Non-Executive Directors' fees reduced by 50%

4Q14 focus:

- MR Olmos Project:
 - Monitor production from first horizontal well to establish extended initial production rates
 - Plan to sell down to 50% WI in adjoining 3,600 acres to existing partners pursuant to options
 - Evaluate additional monetisation alternatives to fund forward drilling plan in MR Olmos and Rodessa projects
 - Plan for second horizontal well in 1H15
- Consolidate Rodessa/Cotton Valley Lime acreage for drilling vertical test well in 2015
- Continue to pursue cost reduction initiatives

During 3Q14 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

¹ The mid-year reserves were assessed by Netherland, Sewell & Associates, Inc. ("NSAI") which meets the requirements of qualified petroleum reserves and resources evaluators. Refer to page 6 of this report for further detail.

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 September 2014	Year to date 9 months ended 30 September 2014
Gross:		
Gas (mcf)	20,447	24,549
Oil (bbl)	4,524	14,627
Total (boe ⁽²⁾)	7,931	18,718
Net (Talon share): ⁽¹⁾		
Gas (mcf)	1,639	2,362
Oil (bbl)	846	3,509
Total (boe ⁽²⁾)	1,590	3,903

⁽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 3Q14 was 49 bopd and 222 mcfcpd gross (9.2 bopd and 17.8 mcfcpd net) from the two operated vertical wells located at its MR Olmos project in South Texas, as well as the non-operated Bonner 1H (CVL) horizontal and the Brice Bonner #1 (Rodessa) wells located at its Roundhouse Prospect in East Texas and Scherer #2 (Yegua) well located at its Angourie Prospect in South Texas.

Production from the Wheeler #1 Olmos vertical well is slowly declining and the well has been producing 6.2 bopd gross (4.4 bopd net). The Wheeler #1 and Bonner 1H wells were off production for 27 and 58 days, respectively, during 3Q14. 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.

O'Benco has completed a workover on the Bonner 1H well to pull the tubing, clean out the lateral and wash out any fill over the jet pump to increase the drawdown and return the well to production. The well was returned to production on 25 September 2014 at 33 bopd gross/ 6 bopd net.

Diagram 1 - Bonner 1H Facility

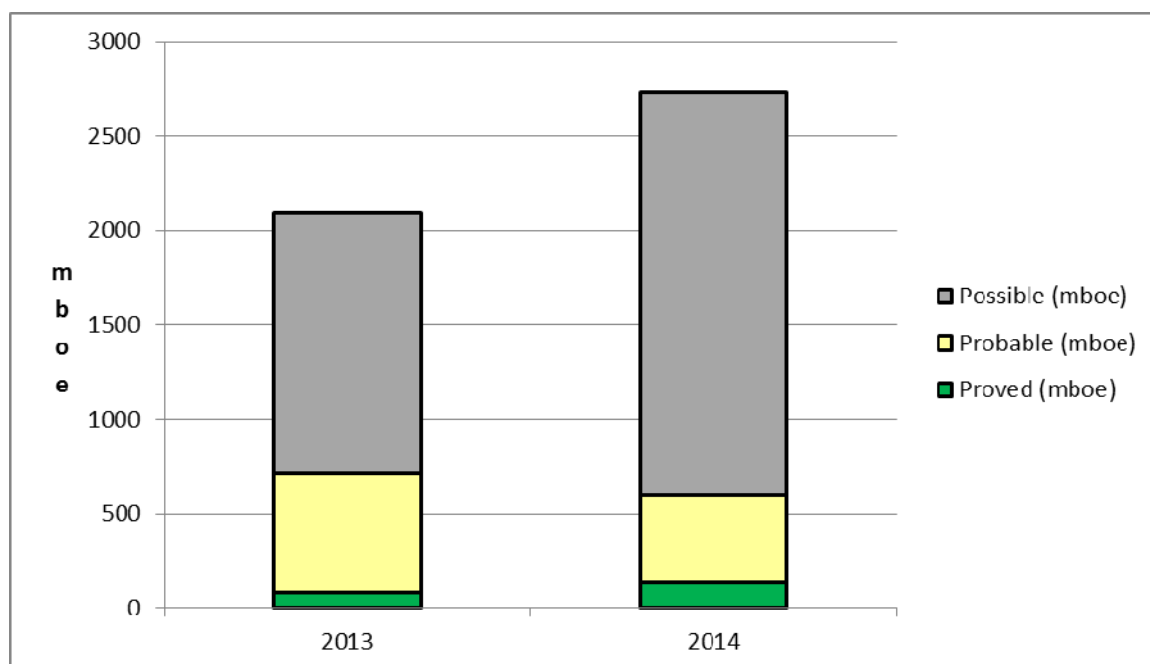


2. Reserves

As at 30 June 2014, the proved + probable + possible (3P) reserves attributable to Talon's NRI were 2,735 mboe. This is a 31% increase over the 2,093 mboe 3P reserves at mid-year 2013. The overall change in net reserves is due to the additions of the Cheneyboro-Rodessa and Sneezy (Scherer #2) fields. Further details regarding the mid-year 2014 reserves can be found in the Company's latest interim financial report released to ASX on 13 September 2014.²

Diagram 2 below presents a comparison of Talon's oil and gas reserves for mid-year 2013 and mid-year 2014.

Diagram 2 - Comparison of Talon oil and gas reserves (net to Talon's NRI)



Note: Mid-year 2014 net reserves are reported as at 30 June 2014 and mid-year 2013 net reserves are reported as at 1 August 2013.

3. Review of activities during 3Q14

Mosman Rockingham (MR) Olmos (10-100% WI)

During the 3Q14 drilling of the first Olmos horizontal well commenced. The well was drilled to a total measured depth of 13,555 feet (8,958 feet TVD) on 21 August 2014 and was drilled with a 4,286 foot lateral into the Olmos sandstone formation.

Since the end of the quarter, an Initial Production test of 986 boepd has been achieved on 13 October 2014. The well was connected to well test equipment for flow back operations on 10 October 2014. Talon has tested the well for approximately 76 hours on various choke sizes with a maximum reported rate of 744 bopd, 1,452

² The mid-year reserves were assessed by Netherland, Sewell & Associates, Inc. ("NSAI") which meets the requirements of qualified petroleum reserves and resources evaluators. Refer to page 6 of this report for further detail.

mcf/d (986 boepd), 1,800 bwpd on a 22/64 inch choke with a flowing casing pressure of 2,700 psi. This peak rate was achieved over a 2-hour period in response to adjusting the choke size. The 24 hour test prior to peak production was approximately 886 boepd. Refer to ASX announcement of 14 October 2014 for additional information as per ASX Listing Rule 5.30.

Planning for a second horizontal Olmos well in 1H15 is in progress, while the Company is looking to sell down from 100% WI to 50% WI of the leased Olmos acreage to its existing partners in the next 90 days pursuant to the previously granted options (yet to be exercised) (refer to ASX announcement released on 5 February 2014). Talon is also evaluating potential alternative monetisation schemes to fund further drilling.

Talon is looking to expand its MR Olmos position to increase the number of wells. A letter of intent (LOI) 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. The next meeting between the LOI participants is scheduled for November 2014.

A ruling from the A.W.P. (Olmos) Field Rules hearing held in September 2014 to amend well spacing is also expected to be delivered in 1Q15 and would increase the number of wells Talon could drill in this project.

Refer to section 1 above regarding production from Olmos vertical wells.

Diagram 3 – Quintanilla OL 1H, Drilling and Completion



Angourie (Yegua) Prospect (10% WI)

The Scherer #2 well is being evaluated for compression due to the reduced production rate of 200 mcf/d at 850 psi.

Roundhouse Prospect – Rodessa (1 - 97% WI)

The Company continues to monitor the production performance of the Brice Bonner #1 well (1% WI), which will determine whether future drilling is undertaken on the Company's 97% owned block.

Roundhouse Prospect - Cotton Valley Lime (24% - 97% WI)

Refer to section 1 above regarding production from Bonner 1H well.

Sunshine Prospect (10% WI)

The operator of the Devine #1 well is currently securing a right of way for the pipe line tie-in and finalising additional leasing with plans to drill additional wells after the Devine #1 has been put on line. Talon has the option to participate at 10% WI in the new leasing and future wells.

Diagram 4 – Devine Facility



East Banks Rodessa Prospect (60-82% WI)

Talon is currently marketing the East Banks oil development prospect where it holds 82% WI, approximately 800 net acres. Talon has a 60% WI in new acquisitions within the prospect and is negotiating to farm in approximately 540 gross acres which would grow the project by approximately 50% and bring it to a drill-ready status. 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.

Catfish Creek and Redfish Rodessa Prospects (97% WI)

Talon is marketing a vertical development oil project with collectively approximately 3,200 gross and 1,870 net acres for initial test wells in the future. Talon's leasehold is controllable for 1-3 years allowing time to mature these projects.

Coolangatta Prospect (25% WI)

Talon is finalising a sell down of a 12.5% WI to third parties for US\$25,000 cash plus a partial carried WI which would allow Talon to retain a 12.5% WI at casing point for a cost basis of 8.33% in the test well. Aurora Resources will be the operator of the well. Additional leasing and drill site title work is being finalised to commence drilling a test well in 1Q15.

Dunsborough (15%WI)

Additional leasing and final technical work is progressing as the operator continues to market additional interest in this project. A test well is planned for the 2015 calendar year.

4. Corporate overview

Entitlement Offer raised A\$1.12 million

During 3Q14 the Company undertook a fully-underwritten 1-for-1 pro rata non-renounceable entitlement offer to raise approximately A\$1.12 million (before offer costs) at \$0.011 per Share to assist with funding its immediate forward work program ("Entitlement Offer"). The Entitlement Offer was oversubscribed and successfully completed, resulting in the allotment of 102,615,433 Shares on 25 August 2014. Total issued Shares are now 205,230,866 and the outstanding unlisted options remain unchanged at 5,450,000.

Peter Love appointed as a Non-Executive Director

The Company appointed Mr Peter Love who has recently become a substantial holder of Talon as a Non-Executive Director effective from 15 September 2014. Mr Love has extensive experience in ASX listed small cap oil and gas companies in the US as well as equity capital markets.

EGM

The Company's EGM was held on 26 September 2014. Given the results of proxies received, all resolutions proposed to be considered at the meeting were withdrawn and were not put to the meeting.

Corporate Cost Reduction Strategy

The Company over recent times has been actively pursuing cost reduction initiatives. The Board is undertaking a review of the Board structure following the appointment of Mr Peter Love to the Board during the 3Q14.

Given the results of the EGM held on 26 September 2014, the proposed cost saving measure for the Non-Executive Directors to take 50%, and for the Managing Director, President and CEO, Mr Cliff Foss to take 33%, of their respective remuneration in Shares in lieu of cash payments could not be implemented. Nonetheless, effective 1 October 2014, the Non-Executive Directors, Messrs Jeffrey Forbes, Angus Douglas and Bruce Cowley, agreed to reduce their remuneration by 50%. Mr Love commenced at the reduced rate from the date of his appointment on 15 September 2014. The Company is looking at a number of other corporate cost saving measures to reduce its non-operating costs.

5. Outlook for 4Q14:

The final quarter of 2014 will be a busy period for Talon driven by the Company's recent horizontal Olmos well successful flow testing at a rate of 986 boepd. Monitoring the production characteristics of the initial horizontal well over the next several months along with the potential partner sell downs will be key components to Talon's growth plan.

The 2014 and 2013 net reserves were assessed by Netherland, Sewell & Associates, Inc. which meets the requirements of qualified petroleum reserves and resources evaluators in accordance with the ASX Listing Rules (refer to the 30 June 2014 interim financial report released to ASX on 13 September 2014 for further detail, including page 27 for the qualified evaluator statement). Talon is not aware of any new information or data that materially affects the information regarding the 2014 and 2013 net reserves included in the 30 June 2014 interim financial report and all the material assumptions and technical parameters underpinning the estimates of reserves in the 30 June 2014 interim financial report continue to apply and have not materially changed. Note that the boe conversion ratio used is 6 mcf: 1 bbl.

– ENDS –

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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

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 September 2014

Prospect Name	Location	Target	WI	Net Leasehold Acres held
Mosman Rockingham (MR) Olmos	McMullen County, South Texas	Olmos	10-100%	Approximately 3,620
Angourie	Jackson County, South Texas	Yegua	10%	Approximately 23
Roundhouse	Navarro County, East Texas	Rodessa & Cotton Valley Lime	1-97%	Approximately 6,860
Sunshine	DeWitt County, South Texas	Wilcox	10%	Awaiting Assignment
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
Dunsborough	Jackson County, South Texas	Cook Mountain	15%	Approximately 45
TOTAL:				Approximately 13,270

Annexure 3 – Background Information*

Mosman Rockingham (MR) Olmos (10-100% WI)

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 a 3,620 net leasehold acreage with WI varying between 10% and 100%. 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 highly productive flank of the A.W.P. field that 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 ("Terrace") (33.34%), Aschere Energy LLC ("Aschere") (16.66%) and Eagle Ford Shale Exploration, LLC (40.00%) to jointly develop a small 199-acre Quintanilla lease and participate in the proof of concept (Quintanilla OL 1H) horizontal Olmos well. This initiative is in line with Talon's strategy to minimise the cost of the initial test well (10% WI) of a project while maintaining a material position in the surrounding leasehold (100% WI, subject to options).

The Company will look to leverage any success at the test well program, which would have a 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 (10% WI)

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.

The Scherer #2 well spud on 8 May 2014 reaching a TD 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 mcf/gpd and 8 bc/d on an 8/64 inch choke with a flowing tubing pressure of 2,050 psi.

Roundhouse Prospect – Rodessa (1- 97% WI)

O'Bencho, as operator of 600 acres within the Company's 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. With minor production in the area from these formations, Talon decided to obtain the maximum information from the well that could impact the Company's overall 7,000 acre position in this area while limiting the capital exposure and retaining a 1% WI in the Brice Bonner #1 well. The Brice Bonner #1 well spud on 17 April 2014, and was drilled to TD of 6,255 feet. The well started producing oil on 1 June 2014 and is averaging 25 bopd (gross).

Roundhouse Prospect – Cotton Valley Lime (24%-97% WI)

The Roundhouse Prospect is located in Navarro County, Northeast Texas adjacent to the large producing Cheneyboro field. Talon has over 6,860 net acres and during 2013 entered into a joint agreement with O'Brien Energy Company (O'Benco), to complete 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.

The Bonner 1H well was drilled in mid-2013. In late July 2013, during initial fracing operations the casing ruptured resulting in delays to the program. After several months spent to repair the ruptured casing, the fracing operations were completed in November 2013, and the well was placed on jet pump. The well started producing oil on 7 December 2013.

Sunshine Prospect (10% WI)

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.

The Devine #1 well tested a Wilcox "Roeder" sand at 1 mmcf/d and 25 bopd during flow-back after a 300,000 pound frac performed on 26 March 2014. The Company has a 10% BIAPO in the Devine #1 and a right to participate in an offset wells at a 10% WI.

East Texas (Rodessa) Prospects (Catfish Creek 97% WI, Redfish 97% WI, East Banks 82 WI)

The East Texas Rodessa Oil play located in Henderson, Anderson and Smith counties includes the Catfish Creek, Redfish and East Banks prospects, which each cover an area of approximately 5,000 acres.

Collectively in the three prospects, Talon currently has approximately 2,670 net acres under lease and is continuing to pursue leasehold opportunities with a target position of up to 5,000 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 fracing in vertical and horizontal wells. Based on analog performance for a vertical well, the estimated contingent resource potential (1C) is 142 mboe/vertical well.

Coolangatta Prospect (25% WI)

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

Dunsborough Prospect (15%WI)

The Dunsborough Prospect is located in the Jackson County, South Texas and is prospective for gas condensate with approximately 300 gross 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.

(*) 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:

1P:	proved (developed plus undeveloped) reserves in accordance with SPE-PRMS
2P:	proved plus probable reserves in accordance with the SPE-PRMS
3P:	proved, probable and possible reserves in accordance with SPE-PRMS
1H15:	six months ended 30 June 2015
1Q15:	three months ended 31 March 2015
3Q14:	three months ended 30 September 2014
4Q14:	three months ended 31 December 2014
\$ or A\$:	Australian dollars
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 (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
bwpd:	barrels of water per day
Company or Talon:	Talon Petroleum Limited (ABN 88 153 229 086)
Director:	director of the Company
EFSE:	Eagle Ford Shale Exploration, LLC, a US-based oil & gas exploration and production company
EGM:	Extraordinary General Meeting
Entitlement Offer:	the fully-underwritten 1-for-1 pro rata non-renounceable entitlement offer to raise approximately A\$1.12 million (before offer costs) at \$0.011 per Share
mbbl:	thousand barrels
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
mcfg(p)d:	thousand cubic feet of gas per day
mcfg(p)d:	thousand cubic feet of gas per day
MD:	Measured Depth
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:	million cubic feet
mmcf(p)d:	million cubic feet per day
mmcfg(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
NSAI:	Netherland, Sewell & Associates, Inc.
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
Share:	a fully paid ordinary share in the capital of the Company.
SPE-PRMS:	Petroleum Resources Management System 2007, published by the Society of Petroleum Engineers
Terrace:	Terrace STS LLC, a Canadian based oil & gas exploration and production company
TD:	Total Depth
TVD:	True Vertical Depth
US\$:	U.S. dollars
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 September 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (9 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	131	453
1.2	Payments for (a) exploration & evaluation	(249)	(1,870)
	(b) development	(578)	(584)
	(c) production	(66)	(183)
	(d) administration ⁽¹⁾	(273)	(1,097)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) ⁽²⁾	-	(336)
	Net Operating Cash Flows	(1,035)	(3,614)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(5)
	(b) equity investments	(8)	-
	(c) other fixed assets	-	(8)
1.9	Proceeds from sale of: (a) prospects	-	97
	(b) equity investments	-	5
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	(8)	(89)
1.13	Total operating and investing cash flows (carried forward)	(1,043)	(3,525)

+ 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)	(1,043)	(3,525)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	1,129	1,129
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) ⁽²⁾	(149)	(149)
	Net financing cash flows	980	980
	Net increase (decrease) in cash held	(63)	(2,545)
1.20	Cash at beginning of quarter/year to date ⁽³⁾	1,690	4,193
1.21	Exchange rate adjustments to item 1.20	98	77
1.22	Cash at end of quarter ⁽⁴⁾	1,725	1,725

(1) Item 1.2 (d) was under budget for the quarter primarily due to reimbursements for administrative costs previously paid.

(2) Item 1.19 includes expenses paid in association with the Entitlement Offer.

(3) Item 1.20 for the nine (9) months ended 30 September 2014 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.

(4) The Company has option agreements with the existing partners to sell collectively 50% of its 100% WI in the leased Olmos acreage within 3 months after placing the Quintanilla OL 1H well on production (i.e. in January 2015) for approximately \$1.1 million.

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	320
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

--

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	36
4.2 Development	337
4.3 Production	63
4.4 Administration	432
Total	868

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	1,725	1,690
5.2 Deposits at call	-	-

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	
Total: cash at end of quarter (item 1.22) ⁽⁵⁾		1,725	1,690

(5) The Company has option agreements with the existing partners to sell collectively 50% of its 100% WI in the leased Olmos acreage within 3 months after placing the Quintanilla OL 1H well on production (i.e. in January 2015) for approximately \$1.1 million.

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 ⁽⁶⁾	South Texas	Oil & Gas Leases	3,744	3,744
6.2	Interests in mining tenements and petroleum tenements acquired or increased ⁽⁷⁾	East Texas	Oil & Gas Leases	9,548	9,544

(6) Subject to third parties' options on 1,800 net acres (3,600 @ 50%).

(7) Numbers include the net of contracted duties to assign and receipt of assignments of leased acreage.

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	Preference securities (description)	None		
7.2	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	None		

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.3	+Ordinary securities	205,230,866	205,230,866		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(a) 102,615,433	(a) 102,615,433	(a) \$0.011	(a) \$0.011
7.5	+Convertible debt securities (description)	None			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	None			
7.7	Options (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			
7.11	Debentures (totals only)	None			
7.12	Unsecured notes (totals only)	None			

+ See chapter 19 for defined terms.

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 October 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.