

Quarterly Report

Release Date: 30 January 2015



Talon Petroleum Limited

ABN 88 153 229 086

Head Office:

Level 16, 344 Queen Street
Brisbane, Qld Australia 4000

Postal: GPO Box 402
Brisbane, Qld Australia 4001

Telephone: +61 7 3211 1122
Fax: +61 7 3211 0133

US Office:

Suite 280, 20445 SH 249
Houston, Texas, 77070, USA

Telephone: +1 281 419 4976
Fax: +1 281 419 4930

Directors:

Peter Love (Chairman)
Clifford Foss (Managing Director)
Peter Evans

Company Secretary:

Andrew Crawford

Contact:

Clifford Foss
President, CEO & MD
+1 281 419 4976
cfoss@texozep.com

Peter Love
Chairman
+61 7 3211 1122
peter.love@talonpetroleum.com.au

Andrew Crawford
Company Secretary
+61 2 4925 3800
andrew.crawford@talonpetroleum.com.au

Website:

www.talonpetroleum.com.au

ASX Code: TPD

December 2014 Quarterly Report

Talon Petroleum Limited (ASX: TPD) ("Talon" or "Company") continued to progress its US-based energy projects during the three months ended 31 December 2014 (4Q14), delivering further opportunities for growth and value creation.

DECEMBER 2014 QUARTER HIGHLIGHTS

Production

- December quarter production of 3,452 BOE was 217% higher than the reported September quarter production of 1,590 BOE.
- Increased December quarter production accounts for 47% of Talon's total production for the 2014 year.

Mosman Rockingham (MR) Olmos Project

- First horizontal Olmos well spud in August 2014 and tested 986 boepd in October 2014 with first sales on 14 October 2014.
- Negotiations in progress to expand MR Olmos acreage position.
- A ruling from the September 2014 A.W.P. (Olmos) Field Rules hearing approved the amendment of field rule spacing which increases the number of Talon's possible Olmos horizontal wells from 25 to 41 (a 64% increase).

Coolangatta Prospect

- Logged 54 feet of gas condensate reservoir in the initial test well in December 2014.

Corporate

- Finalised Board restructure.
- Mr Peter Love appointed as Chairman.
- Mr Peter Evans appointed as Non-Executive Director.
- Mr Andrew Crawford appointed as Company Secretary.

2015 FIRST QUARTER FOCUS

Mosman Rockingham (MR) Olmos Project

- Monitor production from first horizontal well to establish extended initial production rates.
- Evaluate additional monetization alternatives to fund forward drilling plan in MR Olmos, Coolangatta and Rodessa projects.
- Plan for second horizontal well in 2015.

Coolangatta Prospect

- Flow testing of discovery well planned for first quarter 2015.
- Planning potential second well in 2015 pending outcome of testing the initial well.

Corporate

- Continue aggressive cost cutting program.

During 4Q14 Talon continued to progress its strategy of high grading its lease holdings and investing in multi-well oil projects. These projects are located within areas with good production infrastructure employing horizontal or vertical drilling and advanced fracking 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 is detailed in the table below:

	Quarter ended 31 December 2014	Year ended 31 December 2014
Gross:		
Gas (mcf)	45,623	71,220
Oil (bbl)	30,795	45,407
Total (boe ⁽²⁾)	38,399	57,277
Net (Talon share): ⁽¹⁾		
Gas (mcf)	3,319	5,809
Oil (bbl)	2,899	6,326
Total (boe ⁽²⁾)	3,452	7,294

⁽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 4Q14 was 335 bopd and 496 mcfcpd gross (32 bopd and 36 mcfcpd net) from the two operated vertical wells and one newly drilled horizontal well 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 Quintanilla OL 1H (horizontal Olmos) has substantially impacted production volumes and is currently producing 372 bopd and 424 mcf with the best recent daily production at 388 bopd and 414 mcf on 4 January 2015. The Wheeler #1 Olmos vertical well is producing 6.2 bopd gross (4.4 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 bopd.

O'Benco completed a workover on the Bonner 1H well to pull the tubing and clean out the lateral. The well was returned to production on 25 September 2014. Production rates for the quarter averaged 24 bopd gross (4.2 bopd net).



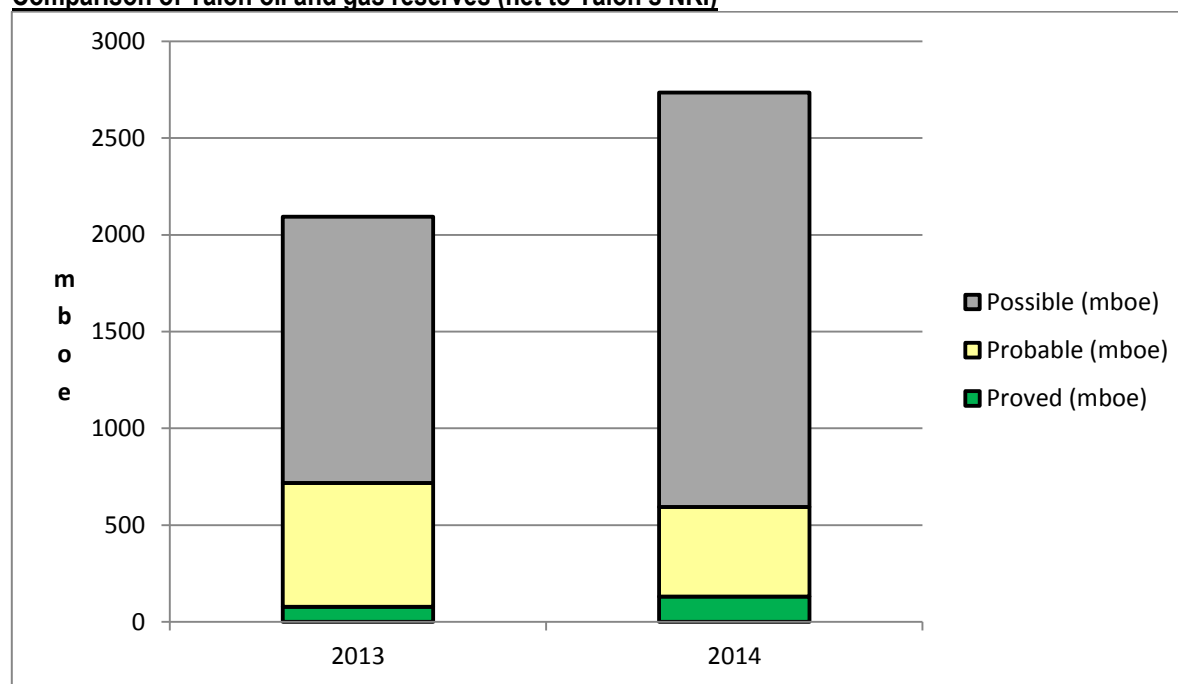
Image 1 – Bonner 1H Facility

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.

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

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 4Q14

Mosman Rockingham (MR) Olmos (95% WI)

During the 4Q14 the first Olmos horizontal was drilled and completed with a 4,286 foot lateral into the Olmos sandstone formation.

The Initial Production test of 986 boepd was achieved on 13 October 2014. Talon achieved the IP rate by testing the well for approximately 76 hours on various choke sizes with a maximum reported rate of 744 bopd, 1,452 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.

Talon operates with 100% WI in 3,600 acres and 10% WI in the 200 acre Quintanilla lease where the initial test well was drilled. This WI structure and operatorship allows the company to plan the development of the resource base in an orderly manner that is appropriate for prevailing commodity prices. The leases are controlled by HBP operations (~80%) and by continuous development in the Eagle Ford by another operator.

Talon is looking to expand its MR Olmos position to increase the number of wells. A letter of intent (LOI) was negotiated with an offset operator to evaluate the commercial outcome of adjoining 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.

A ruling from the A.W.P. (Olmos) Field Rules hearing held in September 2014 to amend well spacing was approved on 9 December 2014. This change in the Field Rules allows Talon to potentially increase the number of horizontal wells from 25 to 41, a 64% increase. Refer to section 1 above regarding production from Olmos vertical wells.



Image 2 – Quintanilla OL 1H, Drilling and Completions

Coolangatta Prospect (6.25% WI)

During 4Q14, Talon caused the Eagle Lake Gas Unit 1 well to be drilled to test the Coolangatta prospect at nil cost to Talon. Talon finalized an agreement with third parties whereby Talon received \$37,500, paid no cost in the well to casing point and then had an election to participate with a 6.25% WI in the well and prospect. Aurora Resources, as operator of the well, initiated drilling of the well in December 2014. At casing point in the well, Talon elected to participate with its 6.25% WI in the completion of the well. Production testing of one of the two pay intervals is in progress.



Image 3 – Quintanilla OL 1H, Drilling and Completions

Angourie (Yegua) Prospect (10% WI)

The Scherer #2 well was placed on compression in December 2014 and production rates have been increased to 300 mcf/d at 100 psi versus a pre compressor 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 adjacent 97% owned block. The well's gross production rates levelled out at 22 bopd and 272 bwpd during the quarter.

Sunshine Prospect (10% WI)

The operator of the Devine #1 well has secured gas pipeline right-of-way and is currently testing the pipeline. Talon has the option to participate at 10% WI in the new leasing and future wells.



Image 4 – Devine Facility

East Texas Rodessa Prospects - East Banks, Catfish Creek and Redfish (60-97% WI)

Talon holds an average 82% WI in the prospects, comprising approximately 800 net acres in the East Banks leasehold and approximately 1,870 net acres collectively in the Catfish Creek and Redfish Prospects. The Company is seeking to 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.

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

Finalised Board restructure

Effective 3 November 2014, non-executive directors Bruce Cowley, Angus Douglas and Jeff Forbes retired from the Board. As part of the Board restructure, non-executive director Mr Peter Love was appointed as Chairman and Mr Peter Evans joined the board as a non-executive director. Mr Evans has over 30 years' experience as a stockbroker with Paul E Morgan & Co and subsequent entities including Morgans Stockbroking, ABN Amro Morgans and RBS Morgans. He was Director – Sales at the Morgans entities from 1984 until 2013 and remained a Director until his retirement in 2013. He is currently Chairman of Sleepy's Pty Ltd, QEnergy Limited and Right at Home Australia. Mr Evans is serving and has served on a number of other boards over the years. He holds a Bachelor of Commerce and Diploma of Advanced Accounting from the University of Queensland.

New Company Secretary

In accordance with the board restructure, Ms Maynes retired as Company Secretary effective 2 December 2014 with Mr Andrew Crawford appointed to role. Ms Maynes joined the Company at the time of the Company's demerger from Texon Petroleum Ltd in 2013. Mr Crawford has 13 years' chartered and commercial accounting experience having commenced his career with KPMG in 2001. Mr Crawford currently holds the office of Company Secretary for ASX listed, Houston based, Maverick Drilling & Exploration Limited, whilst also delivering specialist accounting, taxation and corporate services to his private clients. In addition, from February 2010 to February 2014 Mr Crawford held the role of Chief Financial Officer of Maverick Drilling & Exploration Limited. Mr Crawford is a Chartered Accountant, Registered Tax Agent and holds a Bachelor of Commerce and Diploma of Financial Services.

5. Outlook for 1Q15:

The first quarter of 2015 will be an important time for Talon while it confirms the Quintanilla OL 1H as a material oil discovery through continued strong production performance in addition to production testing the recent Coolangatta- Eagle Lake Gas Unit #1 well.

Competent Person Statement

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 –

About Talon Petroleum Limited:

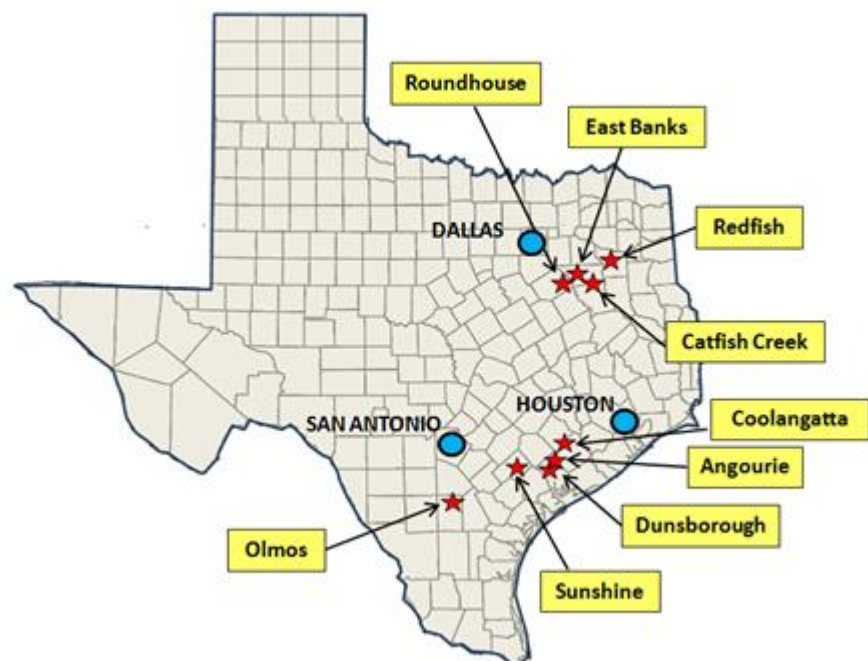
Talon Petroleum Limited is a Texas and Gulf Coast focused exploration and appraisal company listed on ASX (ASX code: TPD). Talon's strategy is to invest in multi-well oil projects that are located within areas with good production infrastructure employing horizontal drilling and advanced fracking technologies.

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 consists of six 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



Annexure 2: Talon's portfolio of exploration, development and production assets as at 31 December 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 6,350
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	6.25%	Approximately 12 (Assignments pending)
Dunsborough	Jackson County, South Texas	Cook Mountain	15%	Approximately 45
TOTAL:				Approximately 12,700

Annexure 3 – Background Information¹

Mosman Rockingham (MR) Olmos (95% WI)

The Mosman Rockingham (MR) Olmos sandstone horizontal oil play is located in McMullen County, South Texas. There is potential for an additional 40 horizontal well locations over Talon's 100% WI in 3,600 leasehold acres. This is in addition to Talon's initial horizontal well in which Talon currently has 10% WI in 199 leasehold acres. Based on nearby analog horizontal well performance, the gross contingent resource potential (1C) is estimated to be 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 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). The concept well has been successfully drilled, completed and put on production.

Coolangatta Prospect (6.25% WI)

The Coolangatta Prospect is located in Colorado County, South Texas and logged 54 feet of gas condensate reservoir in the initial test well in December 2014 with approximately 222 acres leased by Talon with a 6.25% WI. Based on analog performance the estimated contingent resource potential (1C) is 524 mboe/vertical well.

Angourie (Yegua) Prospect (10% WI)

The Angourie (Yegua) play is located in 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 and reached 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'Benco, 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 approximately 6,350 net leasehold acres 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).

¹ 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.

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 6,350 net leasehold 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 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 mmcfd and 25 bopd during flow-back after a 300,000 pound frac was performed on 26 March 2014. The Company has a 10% BIAPO in the Devine #1 and a right to participate in offset wells at a 10% WI.

3 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.

Collectively in the three prospects, Talon currently has approximately 2,670 net acres under lease. 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.

Dunsborough Prospect (15%WI)

The Dunsborough Prospect is located in 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.

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
2Q15:	three months ended 30 June 2015
3Q15:	three months ended 30 September 2015
4Q14:	three months ended 31 December 2014
4Q15:	three months ended 31 December 2015
\$ 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
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
RRC:	Railroad Commission of Texas
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")

31 December 2014

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	119	600
1.2	Payments for (a) exploration & evaluation	(126)	(2,204)
	(b) development	(347)	(1,064)
	(c) production	(131)	(331)
	(d) administration	(564)	(1,477)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	-	4
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) ⁽ⁱ⁾		(336)
		(1,049)	(4,808)
Net Operating Cash Flows			
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(6)
	(b) equity investments	-	-
	(c) other fixed assets	-	(8)
1.9	Proceeds from sale of: (a) prospects	43	140
	(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)	-	-
	Net investing cash flows	43	130
1.13	Total operating and investing cash flows (carried forward)	(1,006)	(4,678)

+ 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)	(1,006)	(4,678)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	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)
	Net financing cash flows	-	980
	Net increase (decrease) in cash held	(1,006)	(3,698)
1.20	Cash at beginning of quarter/year to date ⁽¹⁾	1,725	4,193
1.21	Exchange rate adjustments to item 1.20	89	313
1.22	Cash at end of quarter	808	808

(1) Item 1.20 for the twelve (12) months ended 31 December 2014 includes \$1,481,000 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 \$336,000 (Item 1.7) was recorded pursuant to the terms of the settlement deed. Talon received net funds of \$1,145,000 in April 2014.

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

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	232
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.	

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

+ See chapter 19 for defined terms.

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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	348
4.2 Development	27
4.3 Production	63
4.4 Administration ⁽³⁾	292
Total	730

(3) Item 4.4 includes expenses paid in association with the year end audit and the annual renewal of corporate insurance.

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	808	1,725
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)		808	1,725

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 ⁽⁴⁾	South Texas	Oil & Gas Leases	3,744	3,698
6.2	Interests in mining tenements and petroleum tenements acquired or increased ⁽⁴⁾	East Texas	Oil & Gas Leases	9,544	9040

(4) 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		
7.3	+Ordinary securities	205,230,866	205,230,866	

+ See chapter 19 for defined terms.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	None			
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	<i>Exercise price</i> \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675 \$0.0675	<i>Expiry date</i> 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 give a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date: 30 January 2015

Print name: Andrew Crawford

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.