

## Quarterly Report for the Period Ending 30 June 2015

Talon Petroleum Limited (ASX: TPD) actively marketed its interests in key projects and continued to progress its cost cutting program and during the June 2015 quarter.

### Highlights

- Production of 2,323 boe net to Talon
- Continued work to enable initial production on the Coolangatta project while securing additional project acreage
- Completed a 2 for 9 entitlement offer raising approximately \$500,000 after costs
- Completed a small lot buyback to further reduce costs
- Continued to progress discussions on asset sales

### 1. Production Profile

Production for the quarter is detailed in the table below:

	Quarter ended 30 June 2015	Half year ended 30 June 2015
<b>Gross:</b>		
Gas (mcf)	45,216	82,702
Oil (bbl)	19,240	40,322
Total (boe <sup>(2)</sup> )	26,776	54,106
<b>Net (Talon share):<sup>(1)</sup></b>		
Gas (mcf)	2,648	5,655
Oil (bbl)	1,882	3,996
Total (boe <sup>(2)</sup> )	2,323	4,939

<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 average daily production for 2Q15 was 211 bopd and 497 mcfgpd gross (20 bopd and 29 mcfgpd net) from the two operated vertical wells and one horizontal well located at its MR Olmos project in South Texas, as well as the non-operated Brice Bonner #1 (Rodessa) well located at its Roundhouse Prospect in East Texas and the Scherer #2 (Yegua) well located at its Angourie Prospect in South Texas.

***MR Olmos Project, McMullen County, Texas, USA (Talon 10-100% WI)***

Production from the Quintanilla OL 1H (horizontal Olmos) is averaging approximately 175 bopd gross (12.9 bopd net) and 380 mcf/d gross (28 mcf/d net) for the period 19 July to 26 July. During the quarter a compressor was installed to provide gas lift, however this cannot be engaged until the flowing tubing pressure reduces to below 200 psi (currently averaging about 280 psi). The well has produced a cumulative of 64,956 bo and 86,245 mcf (79,330 boe) for the first 290 days of production. The Wheeler #1 Olmos vertical well is producing 6.5 bopd gross (4.5 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 but is being flowed to tanks on occasion as pressure builds for an average of 2.3 bopd gross (1.7 bopd net).

***Coolangatta Project, Colorado County, Texas, USA (Talon 6.25% WI)***

During the quarter, site work at the Coolangatta project was successfully completed to allow the first production from the ELGU #1 which occurred subsequent to the end of the quarter. The well is currently producing 2,099 mcf/d gross (98.4 mcf/d net) and 122 bopd gross (5.7 bopd net).

## 2. Corporate

On 24 April 2015 Talon announced the successful completion of the 2 for 9 non-renounceable entitlement offer at \$0.012 which raised approximately \$500,000 after issue costs. The Entitlement Offer was fully underwritten by Trojan Investment Management Pty Ltd ACN 102 972 501.

On 18 May 2015 Talon announced the completion of the small lot sale process for unmarketable parcels of shares. Existing shareholders acquired 9,776,321 shares under the small lot sale facility. As a result, the number of Talon shareholders was reduced by 1,203 to approximately 550 holders.

To simplify the Company's capital structure for the purpose of any corporate level transactions (such as a takeover of the Company), 2,500,002 options to acquire ordinary shares exercisable at \$0.0675 were cancelled by the Company during the quarter. Shareholders had previously approved the cancellation of these options at the Company's AGM held 28 April 2015.

### 3. Lease Position

#### **Coolangatta Project**

During the quarter, an additional 25 gross acres (1.6 net acres to Talon) were acquired in connection with the Coolangatta project. Talon has a 6.25% working interest in this project.

Talon's portfolio of exploration, development and production assets at 30 June 2015 is summarised in the table below.

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 1,571
East Banks	Henderson County, East Texas	Rodessa	82%	Approximately 809
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 14*

\*Assignment pending

For further information, please contact Peter Love (Chairman): [peter.love@talonpetroleum.com.au](mailto:peter.love@talonpetroleum.com.au)  
or Andrew Crawford (Company Secretary): [andrew.crawford@talonpetroleum.com.au](mailto:andrew.crawford@talonpetroleum.com.au).

**Glossary:**

<b>2Q15:</b>	three months ended 30 June 2015
<b>bbl:</b>	barrels
<b>bcf:</b>	billion cubic feet
<b>boe:</b>	barrels of oil equivalent (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 barrel of oil equivalent)
<b>boepd:</b>	barrels of oil equivalent per day (including gas converted to oil equivalent barrels on basis of 6 mcf to 1 boe)
<b>bopd:</b>	barrels of oil per day
<b>bpd:</b>	barrels per day
<b>mcf:</b>	thousand cubic feet
<b>mcf(p)d:</b>	thousand cubic feet per day
<b>mcfg(p)d:</b>	thousand cubic feet of gas per day
<b>mcfg(p)d:</b>	thousand cubic feet of gas per day

**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. Additional information is available on Talon's website: [www.talonpetroleum.com.au](http://www.talonpetroleum.com.au).

## Appendix 5B

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

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10, 01/05/2013

Name of entity

TALON PETROLEUM LIMITED

ABN

88 153 229 086

Quarter ended ("current quarter")

30 June 2015

### 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	124	378
1.2	Payments for (a) exploration & evaluation	(48)	(48)
	(b) development	(65)	(381)
	(c) production	(51)	(134)
	(d) administration	(442)	(972)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	1	2
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material) <sup>(i)</sup>	-	(159)
	<b>Net Operating Cash Flows</b>	(481)	(1,314)
<b>Cash flows related to investing activities</b>			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	4	8
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>	4	8
1.13	Total operating and investing cash flows (carried forward)	(477)	(1,306)

+ 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)	(477)	(1,306)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	523	523
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	200
1.17	Repayment of borrowings	(200)	(200)
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	(3)	(3)
	<b>Net financing cash flows</b>	320	520
	<b>Net increase (decrease) in cash held</b>	(157)	(786)
1.20	Cash at beginning of quarter/year to date	470	1,042
1.21	Exchange rate adjustments to item 1.20	(2)	55
1.22	<b>Cash at end of quarter</b>	311	311

(i) Item 1.7 includes payment to Wandoo Energy LLC as consideration for the settlement and release from the Prospect Generation Agreement.

### 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	170
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 salary and accrued wages to directors and fees to company secretary.

### 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

**Appendix 5B**

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

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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 <sup>(2)</sup>		
3.2 Credit standby arrangements		

- (2) In March 2015 the group entered into a financing arrangement with an unrelated party to provide a \$200,000 unsecured loan for a maximum period of three months at which time it is intended that the loan will be repaid from the proceeds of the entitlement offer or converted to equity.

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	(81)
4.3 Production	(53)
4.4 Administration	(292)
<b>Total</b>	<b>(426)</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	311	470
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
<b>Total: cash at end of quarter (item 1.22)</b>	<b>311</b>	<b>470</b>

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+ See chapter 19 for defined terms.

## Changes in interests in mining tenements and petroleum tenements

		Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements and petroleum tenements relinquished, reduced or lapsed	South Texas	Oil & Gas Leases	3,655	3,655
6.2	Interests in mining tenements and petroleum tenements acquired or increased	East Texas	Oil & Gas Leases	4,252	4,254

## 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			
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>	252,110,037	252,110,037		
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	45,837,504 -	45,837,504 -	\$0.012	\$0.012
7.5	<b>+Convertible debt securities</b> (description)	None			

+ See chapter 19 for defined terms.



**Appendix 5B**

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

7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	None			
7.7	<b>Options</b> <sup>(3)</sup> (description and conversion factor)	OP5: 183,336	Nil	Exercise price \$0.0675	Expiry date 07/03/2019
7.8	Issued during quarter	None			
7.9	Exercised during quarter	None			
7.10	Expired during quarter	OP1: 1,100,000 OP4: 1,100,000 OP5: 300,002	Nil Nil Nil	Exercise price \$0.0675 \$0.0675 \$0.0675	Expiry date 07/03/2019 20/06/2018 07/03/2019
7.11	<b>Debentures</b> (totals only)	None			
7.12	<b>Unsecured notes</b> (totals only)	None			

(3) During the quarter 2,500,002 options were cancelled by the Company. Talon shareholders approved the cancellation of these options at the Company's AGM held 28 April 2015.

## Compliance statement

- 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).
- This statement does give a true and fair view of the matters disclosed.

Sign here:



Company secretary

Date: 31 July 2015

Print name: Andrew Crawford

+ See chapter 19 for defined terms.

## 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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