

## Quarterly Report for the Period Ending 30 September 2015

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

### Highlights

- Produced 1,508 boe net to Talon during the quarter
- Entered into a contract to sell the Coolangatta project and Scherer 2 well for US\$630,000
- Conducted a formal process to monetise the Company's MR Olmos Project

### 1. Production Profile

Production for the quarter is detailed in the table below:

| Quarter ended 30 September 2015 | Gross  | Net (Talon share) <sup>(1)</sup> |
|---------------------------------|--------|----------------------------------|
| Gas (mcf)                       | 21,717 | 1,602                            |
| Oil (bbl)                       | 11,578 | 1,241                            |
| Total (boe <sup>(2)</sup> )     | 15,197 | 1,508                            |

<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 3Q15 was 125 bopd and 236 mcfcpd gross (13 bopd and 17 mcfcpd net) from the two operated vertical wells and one horizontal well located at its MR Olmos project in South Texas. Production from the Scherer #2 (Yegua) well located at its Angourie Prospect in South Texas and the ELGU#1 well at the Coolangatta Project west of Houston have been excluded as these properties have been contracted for sale with an effective date of 1 July 2015.

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

Production from the Quintanilla OL 1H (horizontal Olmos) is averaging approximately 102 bopd gross (7.5 bopd net) and 355 mcfpd gross (26 mcfpd net) for the period 1 October to 14 October 2015. The well has produced a cumulative 73,437 bo and 106,117 (91,123 boe) in its first year of production.

The Wheeler #1 Olmos vertical well is producing 5.4 bopd gross (3.8 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).

## 2. Corporate

### ***Retirement of Mr Cliff Foss***

During the quarter Mr Cliff Foss retired from the board and from his executive role. The board thanks Mr Foss for his efforts since Talon's listing in 2013. Mr Andrew Crawford was appointed to the board on 10 August 2015.

### ***Coolangatta / Scherer 2 Sale Agreement***

On 3 September 2015 Talon announced that it had executed a Letter of Intent sell its interest in the ELGU #1 well and remaining interest in the Coolangatta Project, and its interest in the Scherer #2 well on the Angourie Project, for total consideration of US\$630,000. A contract has now been executed for the sale with an anticipated closing date of 10 November 2015.

### ***MR Olmos Sale Process***

During the quarter the Company conducted a formal sale process for its interest in the MR Olmos Project. Although numerous bids were received, the board considered that all bids materially undervalued the asset and were not accepted.

## 3. Lease Position

### ***Coolangatta Project***

During the quarter, Talon entered into a contract to sell its interest in the Coolangatta Project with an effective date of 1 July 2015. As such, it is not included in the lease table below.

### ***East Banks / Catfish Creek / Redfish Prospects***

All leases in the Roundhouse, East Banks, Catfish Creek and Redfish Prospects expired during or subsequent to the end of the quarter. Owing to depressed oil prices, the board could not justify drilling these prospects prior to lease expiry.

Talon's portfolio of exploration, development and production assets at 30 September 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         |

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

**Glossary:**

|                  |   |
|------------------|---|
| <b>3Q15:</b>     | three months ended 30 September 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). 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 September 2015

### Consolidated statement of cash flows

|   |  | Current quarter<br>\$A'000 | Year to date<br>(6 months)<br>\$A'000 |
|---|--|----------------------------|---------------------------------------|
| <b>Cash flows related to operating activities</b> |  |                            |                                       |
| 1.1   | Receipts from product sales and related debtors            | 187                        | 565                                   |
| 1.2   | Payments for (a) exploration & evaluation                  | -                          | (48)                                  |
|   | (b) development  | (45)                       | (426)                                 |
|   | (c) production   | (56)                       | (190)                                 |
|   | (d) administration   | (271)                      | (1,243)                               |
| 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>(i)</sup>         | -                          | (159)                                 |
|   | <b>Net Operating Cash Flows</b>                            | (184)                      | (1,498)                               |
| <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                                     | -                          | 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>                            | -                          | 8                                     |
| 1.13  | Total operating and investing cash flows (carried forward) | (184)                      | (1,490)                               |

+ 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) | (184)      | (1,490)      |
|      | <b>Cash flows related to financing activities</b>          |            |              |
| 1.14 | Proceeds from issues of shares, options, etc.              | -          | 523          |
| 1.15 | Proceeds from sale of forfeited shares                     | -          | -            |
| 1.16 | Proceeds from borrowings                                   | 200        | 400          |
| 1.17 | Repayment of borrowings                                    | -          | (200)        |
| 1.18 | Dividends paid   | -          | -            |
| 1.19 | Other (provide details if material)                        | -          | (3)          |
|      | <b>Net financing cash flows</b>                            | <b>200</b> | <b>720</b>   |
|      | <b>Net increase (decrease) in cash held</b>                | <b>16</b>  | <b>(770)</b> |
| 1.20 | Cash at beginning of quarter/year to date                  | 311        | 1,042        |
| 1.21 | Exchange rate adjustments to item 1.20                     | 9          | 64           |
| 1.22 | <b>Cash at end of quarter</b>                              | <b>336</b> | <b>336</b>   |

(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<br>\$A'ooo |
|---|----------------------------|
| 1.23 Aggregate amount of payments to the parties included in item 1.2 | 133                        |
| 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 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<br>\$A'000 | Amount used<br>\$A'000 |
|------------------------------------|-----------------------------|------------------------|
| 3.1 Loan facilities <sup>(2)</sup> | 200                         | 200                    |
| 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                | (11)         |
| 4.3 Production                 | (40)         |
| 4.4 Administration             | (160)        |
| <b>Total</b>                   | <b>(211)</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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 336                        | 311                         |
| 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>336</b>                 | <b>311</b>                  |

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+ See chapter 19 for defined terms.

## Appendix 5B

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

#### 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 <sup>(3)</sup> | Oil & Gas Leases                 | 3,655                      | 3,643 |
| 6.2 | Interests in mining tenements and petroleum tenements acquired or increased           | East Texas                 | Oil & Gas Leases                 | 4,254                      | -     |

- (3) During the quarter, the Company entered into a contract to sell its interest in the Coolangatta Project with an effective date of 1 July 2015. As such, this acreage is not included in the lease table above.

#### 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>                                     | None          |   |  |
| 7.2 | <b>(description)</b>   |               |   |  |
| 7.2 | Changes during quarter   | None          |   |  |
|     | (a) Increases through issues                                     |               |   |  |
|     | (b) Decreases through returns of capital, buy-backs, redemptions |               |   |  |
| 7.3 | <b>*Ordinary securities</b>                                      | 253,456,191   | 253,456,191                                   |  |
| 7.4 | Changes during quarter   |               |   |  |
|     | (a) Increases through issues                                     | 1,346,154     | 1,346,154                                     | \$0.013  |
|     | (b) Decreases through returns of capital, buy-backs              | -             | -   | \$0.013  |

+ See chapter 19 for defined terms.

**Appendix 5B**

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

|      |   |              |     |                            |                           |
|------|---|--------------|-----|----------------------------|---------------------------|
| 7.5  | <b>*Convertible debt securities</b><br>(description)  | None         |     |                            |                           |
| 7.6  | Changes during quarter<br>(a) Increases through issues<br>(b) Decreases through securities matured, converted | None         |     |                            |                           |
| 7.7  | <b>Options</b><br>(description and conversion factor)   | OP5: 183,336 | Nil | Exercise price<br>\$0.0675 | Expiry date<br>07/03/2019 |
| 7.8  | Issued during quarter   | None         |     |                            |                           |
| 7.9  | Exercised during quarter  | None         |     |                            |                           |
| 7.10 | Expired during quarter  |              |     |                            |                           |
| 7.11 | <b>Debentures</b><br>(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 give a true and fair view of the matters disclosed.

Sign here:



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Director and Company Secretary

Date: 27 October 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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