

Quarterly Report for the Period Ending 30 June 2016

Talon Petroleum Limited (ASX: TPD) ("Talon" or "Company") is pleased to present its June 2016 quarterly report.

Highlights

- Produced 647 boe net to Talon during the quarter.
- WTI crude oil price increased to US\$48.27 a barrel at 30 June 2016 from US\$36.94 at 31 March 2016.

1. Production Profile

Production for the quarter is detailed in the table below:

Quarter ended 30 June 2016	Gross	Net (Talon share) ⁽¹⁾
Gas (mcf)	9,060	668
Oil (bbl)	3,894	536
Total (boe ⁽²⁾)	5,404	647

⁽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 2Q16 was 43 bopd and 100 mcfcpd gross (5.9 bopd and 7.3 mcfcpd net) from the two operated vertical wells and one horizontal well located at its MR Olmos project 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 31 bopd gross (2.2 bopd net) and 45 mcfpd gross (3.3 mcfpd net) for the period 12 July 2016 to 17 July 2016. The well has produced a cumulative 85,701 bo and 138,299 mcf (108,751 boe) in its first 647 days of production.

The Wheeler #1 Olmos vertical well is producing 3.5 bopd gross (2.5 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 1.2 bopd gross (0.8 bopd net).

2. Corporate

Annual General Meeting

The Company's Annual General Meeting was held on 23 May 2016 with all resolutions being passed.

3. Lease Position

Talon's portfolio of development and production assets at 30 June 2016 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

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

Glossary:

2Q16:	three months ended 30 June 2016
bbl:	barrels
bcf:	billion cubic feet
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
mcf:	thousand cubic feet
mcf(p)d:	thousand cubic feet per day
mcf(g)(p)d:	thousand cubic feet of gas per day
mcf(g)(p)d:	thousand cubic feet of gas per day

About Talon Petroleum Limited:

Talon Petroleum Limited is a South Texas focused unconventional petroleum company listed on ASX (ASX code: TPD). Talon's principal asset is its MR Olmos project, located in McMullen County, Texas, USA. Additional information is available on Talon's website: 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 2016

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	64	154
1.2	Payments for (a) exploration & evaluation	-	-
	(b) development	-	-
	(c) production	(24)	(78)
	(d) administration	(166)	(303)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	4	5
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	-	-
	Net Operating Cash Flows	(122)	(222)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) oil and gas assets	-	121
	(b) equity investments	-	-
	(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	-	121
1.13	Total operating and investing cash flows (carried forward)	(122)	(101)

+ 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)	(122)	(101)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(122)	(101)
1.20	Cash at beginning of quarter/year to date	691	667
1.21	Exchange rate adjustments to item 1.20	-	3
1.22	Cash at end of quarter	569	569

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	45
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

- 1.1 Year to date includes \$56,000 in respect of office sublet income.
- 1.2 (d) Year to date includes \$(60,000) in respect of costs for sublet offices. Also includes payment of KPMG annual audit fee invoice of \$(36,350).
- 1.23 Payment of salary to directors and fees to company secretary and fees to director related parties.
- 1.23 Payments for administration for the period January 2016 to June 2016 higher than forecast operating expenditure for the period July 2016 to December 2016 due to the January 2016 to June 2016 period including annual payments for the year end financial statement preparation and audit and Australian insurance policy premium payment.

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.

Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

- 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		
3.2 Credit standby arrangements		

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	(10)
4.4 Administration ⁽¹⁾	(149)
Total	(159)

(1) Item 4.4 includes \$30,000 in respect of costs for sublet offices.

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	569	691
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	569	691

+ See chapter 19 for defined terms.

Changes in interests in mining tenements and petroleum tenements

	Tenement reference and location	Nature of interest (see 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	South Texas	Oil & Gas Leases	3,620	3,620
6.2	Interests in mining tenements and petroleum tenements acquired or increased				

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	253,456,191	253,456,191	
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		

+ See chapter 19 for defined terms.

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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	Options (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				
7.11	Debentures (totals only)	None			
7.12	Unsecured notes (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: 26 July 2016

Print name: Andrew James 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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