

Quarterly Report for the Period Ending 31 March 2016

Talon Petroleum Limited (ASX: TPD) (“Talon” or “Company”) is pleased to present its March 2016 quarterly report.

Highlights

- Produced 803 boe net to Talon during the quarter.
- Final payment received in connection with the sale of the Company’s interest in the ELGU #1 well and remaining interest in the Coolangatta Project, and its interest in the Scherer #2 well and remaining interest in the Angourie Project for US\$630,000.
- Continued to market its interests in the MR Olmos Project.

1. Production Profile

Production for the quarter is detailed in the table below:

Quarter ended 31 March 2016	Gross	Net (Talon share) ⁽¹⁾
Gas (mcf)	10,738	792
Oil (bbl)	5,032	671
Total (boe ⁽²⁾)	6,882	803

⁽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 1Q16 was 55 bopd and 118 mcfcpd gross (7.4 bopd and 8.7 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 40 bopd gross (3.0 bopd net) and 169 mcfpd gross (12.5 mcfpd net) for the period 1 April to 17 April 2016. The well has produced a cumulative 82,926 bo and 131,361 mcf (104,819 boe) in its first 556 days of production.

The Wheeler #1 Olmos vertical well is producing 3.24 bopd gross (2.31 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

Coolangatta / Angourie Sale Agreement

During the December 2015 quarter the Company completed the sale of its interests in the ELGU #1 well and remaining interest in the Coolangatta Project, and its interest in the Scherer #2 well and remaining interest in the Angourie Project, with an effective date of 1 July 2015 for US\$630,000.

It was announced 21 December 2015 that as of Friday 18 December 2015 the Company had received US\$531,500 of total consideration of the contracted sale price of US\$630,000. The balance of the proceeds were received in January 2016.

MR Olmos Sale Process

During the quarter the Company continued to market its MR Olmos Project.

3. Lease Position

Talon's portfolio of development and production assets at 31 March 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:

1Q16:	three months ended 31 March 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
mcfg(p)d:	thousand cubic feet of gas per day
mcf(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.

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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 March 2016

Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (12 months) \$A'000
1.1 Receipts from product sales and related debtors	90	90
1.2 Payments for (a) exploration & evaluation	-	-
(b) development	-	-
(c) production	(54)	(54)
(d) administration	(137)	(137)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
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	(100)	(100)
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	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	121
1.13 Total operating and investing cash flows (carried forward)	21	21

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Appendix 5B

Mining exploration entity and oil and gas exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	21	21
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	21	21
1.20	Cash at beginning of quarter/year to date	667	667
1.21	Exchange rate adjustments to item 1.20	3	3
1.22	Cash at end of quarter	691	691

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	31
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 Includes \$30,000 in respect of office sublet income.
 1.2 (d) Includes \$(31,000) in respect of costs for sublet offices.
 1.23 Payment of salary to directors and fees to company secretary and fees to director related parties.

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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+ See chapter 19 for defined terms.

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	(16)
4.4 Administration ⁽¹⁾	(113)
Total	(129)

(1) Item 4.4 includes \$35,000 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	691	667
5.2 Deposits at call		
5.3 Bank overdraft		
5.4 Other (provide details)		
Total: cash at end of quarter (item 1.22)	691	667

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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 (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		

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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: 22 April 2016

Print name:

Andrew James Crawford

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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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