



30 April 2013  
ASX release

## March 2013 Quarterly Report

### Production

Production for the quarter was:

	Quarter 3 months ended 31 March 2013
<b>Gross:</b>	
Gas (mcf)	-
Oil (bbl)	2,428
Total (boe <sup>(2)</sup> )	2,428
<b>Nett (Talon share):</b> <sup>(1)</sup>	
Gas (mcf)	-
Oil (bbl)	1,730
Total (boe <sup>(2)</sup> )	1,730

Gross average daily production for the March quarter was 0 mcfgpd and 27 bopd (Talon's share<sup>(1)</sup>: 0 mcfgpd and 19 bopd (19 boepd)) from its two (2) producing wells, the Wheeler #1 and Hoskins Unit #2.

<sup>(1)</sup> Talon's beneficial NRI share (after Royalties).

<sup>(2)</sup> Gas is converted to boe on the basis that 6mcf of gas are equivalent to 1 boe.

### Review of activities

As detailed in its latest financial report released on 28 March 2013, the Company has a portfolio of exploration and development assets, including production from the Olmos and Wilcox reservoirs in South Texas, and a growing exploration portfolio in East Texas including projects at Roundhouse, Redfish, Catfish Creek and East Banks.

Due to the focus on the process of demerger of the Company from its parent entity, Texon Petroleum Limited ("Texon"), by scheme of arrangement which was implemented on 7 March 2013, no drilling or exploration activities, apart from ongoing prospect generation, were undertaken on the Company's assets during the quarter.

The Company also released a corporate update on 19 April 2013 setting out, amongst other things, the current status of its projects.

## **Corporate**

- (a) Following shareholder approval on 25 February 2013 and approval by the Federal Court of Australia on 27 February 2013, a proposal by Talon's parent entity Texon to demerge by scheme of arrangement and list Talon on the Australian Stock Exchange ("Demerger Scheme") became effective on 27 February 2013. The Demerger Scheme was implemented on 7 March 2013. Full details of the demerger Scheme are set out in the Demerger Scheme Booklet released on 22 January 2013. Talon shares commenced trading on a deferred settlement basis on 27 February 2013 and commenced normal trading on 14 March 2013.
- (b) On 25 February 2013 shareholders of Talon's parent entity Texon approved the issue of up to 4,480,000 Talon shares to Wandoo Energy, LLC ("Wandoo"), which is part of the consideration payable to Wandoo for the transfer of certain carried working interests to Texon. The shares are to be issued within three months of the demerger.
- (c) On 25 February 2013 the Company issued 10,000,000 ordinary shares at an issue price of \$0.50 per share. On 7 March 2013 the Company issued 4,096,117 ordinary shares at an issue price of \$0.5103931 per share. All share issues were to the Company's parent Texon and all issued shares are fully paid. The share issues were made in satisfaction of amounts owing by the Company to Texon as a result of cash loaned after 31 December 2012 of \$7,090,630. Total issued shares are 98,135,433.
- (d) During the quarter the Board has undergone a process of renewal whereby Mr Bernard Rowley has retired as a Director on 18 March 2013 and the Company has appointed Mr Angus Douglas, Mr Clifford S. Foss, Jr. and Mr Jeff Forbes as Directors on 18 March, 26 March and 4 April 2013, respectively.
- (e) In accordance with Mr Foss' employment agreement for his appointment as President and CEO of the Company, Mr Foss is entitled to a share option grant of 3,400,000 unlisted incentive options to be issued in three tranches. The share option grant is subject to shareholder approval at the Company's first AGM to be held on 30 May 2013.

– ENDS –

### **For further information, please contact:**

Mr Clifford S. Foss

Chief Executive Officer, President & Managing Director

Houston: +1 281 419 4976 (Houston is 15 hours behind Aust Eastern Standard time)

### **Glossary:**

<b>AGM:</b>	Annual General Meeting
<b>bbl:</b>	barrels
<b>boe:</b>	barrels of oil equivalent
<b>boepd:</b>	barrels of oil equivalent per day (including gas converted to oil equiv barrels on basis of 6mcf to 1 barrel of oil equiv)
<b>bopd:</b>	barrels of oil per day
<b>mcf:</b>	thousand cubic feet
<b>mcfcpd:</b>	thousand cubic feet of gas per day
<b>NRI:</b>	Net Revenue Interest

## Appendix 5B

### Mining 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

Name of entity

TALON PETROLEUM LIMITED

ABN

88 153 229 086

Quarter ended ("current quarter")

31 MARCH 2013

#### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	126	126
1.2 Payments for (a) exploration & evaluation	(197)	(197)
(b) development	(21)	(21)
(c) production	(66)	(66)
(d) administration	(906)	(906)
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)	-	-
<b>Net Operating Cash Flows</b>	<b>(1,063)</b>	<b>(1,063)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(7)	(7)
1.9 Proceeds from sale of: (a) prospects	-	-
(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)	-	-
<b>Net investing cash flows</b>	<b>(7)</b>	<b>(7)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(1,070)</b>	<b>(1,070)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,070)	(1,070)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings (related parties)	7,091	7,091
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	<b>Net financing cash flows</b>	<b>7,091</b>	<b>7,091</b>
	<b>Net increase (decrease) in cash held</b>	<b>6,021</b>	<b>6,021</b>
1.20	Cash at beginning of quarter/year to date	2,526	2,526
1.21	Exchange rate adjustments to item 1.20	(79)	(79)
1.22	<b>Cash at end of quarter</b>	<b>8,468</b>	<b>8,468</b>

**Payments to directors of the entity and associates of the directors**  
**Payments to 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	317
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 and related parties 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

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

**Financing facilities available**

Add notes as necessary for an understanding of the position.

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

	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	182
4.2 Development	-
4.3 Production	49
4.4 Administration	657
<b>Total</b>	<b>888</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	6,997	2,526
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) *	1,471	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>8,468</b>	<b>2,526</b>

\* Note: amount held in escrow until 9 September 2013 pursuant to the Texon Petroleum Ltd / Sundance Energy Australia Limited Acquisition and Demerger Schemes of Arrangement.

**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1		Interests in mining tenements relinquished, reduced or lapsed		
6.2		Interests in mining tenements acquired or increased		

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**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> <i>(description)</i>	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>	98,135,433	98,135,433		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(a) 14,096,117	(a) 14,096,117		
7.5 <b>+Convertible debt securities</b> <i>(description)</i>	None			
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	None			
7.7 <b>Options</b> <i>(description and conversion factor)</i>	None		<i>Exercise price</i>	<i>Expiry date</i>
7.8 Issued during quarter	None			
7.9 Exercised during quarter	None			
7.10 Expired during quarter	None			
7.11 <b>Debentures</b> <i>(totals only)</i>	None			

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7.12	<b>Unsecured notes</b> (totals only)	None	
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### 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 /does not\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here: .....  ..... Date: 30 April 2013  
(Director/Company secretary)

Print name: Anastasia Maynes

### 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 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, 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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