



31 July 2013
ASX release

June 2013 Quarterly Report

Production

Production for the quarter and year to date was:

	Quarter 3 months ended 30 June 2013	Year to date 6 months ended 30 June 2013
Gross:		
Gas (mcf)	-	
Oil (bbl)	1,734	4,332 ⁽³⁾
Total (boe ⁽²⁾)	1,734	4,332 ⁽³⁾
Net (Talon share): ⁽¹⁾		
Gas (mcf)	-	-
Oil (bbl)	1,236	3,087
Total (boe ⁽²⁾)	1,236	3,087

Gross average daily production for the June quarter was 19 bopd and 0 mcfcpd (Talon's share⁽¹⁾: 14 bopd (14 boepd) and 0 mcfcpd) from its two (2) producing wells, the Wheeler #1 and Hoskins #2. Gross estimated average July production from the one producing Olmos (Wheeler #1) well was 13.8 bopd (13.8 boepd) and 0 mcfcpd (Talon's share⁽¹⁾: 9.9 bopd (9.9 boepd) and 0 mcfcpd).

⁽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.

⁽³⁾ Quarter 1 2013 corrected for production volume reported to regulatory agencies versus prior field reported production.

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.

(a) Roundhouse Prospect, Navarro County, East Texas

During the quarter the Company has joined O'Brien Energy Company originally for 25% WI in the proof of concept well (Bonner 1H) and the surrounding approximately 600 acres at a combined cost of US\$1.65 million to the Company. USA-based O'Brien Energy Company ("O'Benco") is the operator with a WI of 75%. The Company has also acquired approximately 3,511 additional acres in close proximity to the well at a cost of US\$742,000. Pursuant to the Project Generation Agreement with Wandoo Energy LLC ("Wandoo"), the Company now has approximately a 24% WI in the Bonner 1H well and the surrounding 600 acres. The Company's total Roundhouse lease position is currently approximately 7,180 net acres.

The Bonner 1H well was drilled to the total measured depth of 15,260 feet (9,472 feet TVD) on 3 July 2013.

Since the end of the quarter, completion commenced with fracture stimulation on 21 July 2013. Four (4) out of the 11 planned stages were completed when the operator O'Benco advised that on 25 July 2013 the 7 inch and 9.625 inch casings parted in the well. The fracture stimulation has been placed on hold and the operator is currently preparing to mobilize a rig in an effort to re-establish the mechanical integrity of the failed casings and if successful to continue the completion operations.

(b) Mosman Rockingham Olmos, McMullen County, South Texas

Production was discontinued on the Hoskins #2 (Wilcox) well on 15 June 2013 when the down hole pump malfunctioned. An economic assessment of returning the well to production revealed the expense could not be justified. Rather, the surface and down hole production equipment will be transferred to the Hoskins Unit #1 and the well returned to production as an Olmos completion. As a result, since the end of the quarter work commenced the week of 15 July 2013 to restore the Hoskins #1 to production.

Corporate

- (a) The Company's first AGM was held on 30 May 2013 and all resolutions were passed.
- (b) During the quarter the Board completed the process of renewal whereby Dr John Armstrong has retired as a Director and Chairman as from the end of the Company's AGM on 30 May 2013 and the Board has appointed Mr Jeffrey Forbes (who joined the Board on 4 April 2013) as Chairman and Mr Bruce Cowley as a Non-Executive Director following Dr Armstrong's retirement coming into effect. The Company also appointed a new Company Secretary, Ms Anastasia Maynes, in April and a new Financial Controller, Mr Ron McCaslin, in May.
- (c) In May the Company issued 4,000,000 ordinary shares to Wandoo as part consideration for the acquisition by Texoz E&P II, Inc. ("Texoz"), a subsidiary of the Company's previous parent entity Texon Petroleum Ltd, of the WI from Wandoo in its Eagle Ford Shale assets in Texas USA under an agreement between Texoz and Wandoo as part of the Demerger Scheme and Acquisition Scheme approved by shareholders 25 February 2013 and implemented 7 and 8 March 2013, respectively. Total issued shares are 102,135,433.
- (d) In June the Company issued 3,400,000 unlisted options to Mr Clifford Foss and 1,200,000 unlisted options to Wandoo. The options are exercisable at \$0.0675 each under certain conditions and were issued in accordance with shareholder approval granted at the 30 May 2013 AGM.

– 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:

AGM: Annual General Meeting
bbl: barrels
boe: barrels of oil equivalent

boepd:	barrels of oil equivalent per day (including gas converted to oil equiv barrels on basis of 6 mcf to 1 barrel of oil equiv)
bopd:	barrels of oil per day
Company:	Talon Petroleum Limited
mcf:	thousand cubic feet
mcfcpd:	thousand cubic feet of gas per day
NRI:	Net Revenue Interest
TVD:	True Vertical Depth
WI:	Working 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")

30 June 2013

Consolidated statement of cash flows

		Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities			
1.1	Receipts from product sales and related debtors	177	303
1.2	Payments for (a) exploration & evaluation	(134)	(333)
	(b) development	(508)	(529)
	(c) production	(101)	(167)
	(d) administration	(491)	(1397)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	2	3
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other (provide details if material)	102	102
	Net Operating Cash Flows	(953)	(2,018)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	24	18
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)	-	-
	Net investing cash flows	24	18
1.13	Total operating and investing cash flows (carried forward)	(929)	(2,000)

+ See chapter 19 for defined terms.

1.13	Total operating and investing cash flows (brought forward)	(929)	(2,000)
	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 (related parties)	-	7,091
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other (provide details if material)	-	-
	Net financing cash flows	-	7,091
	Net increase (decrease) in cash held	(929)	5,091
1.20	Cash at beginning of quarter/year to date	8,468	2,526
1.21	Exchange rate adjustments to item 1.20	(1,074)	(1,152)
1.22	Cash at end of quarter	6,465	6,465

**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	395
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.

	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	1,036
4.2 Development	46
4.3 Production	53
4.4 Administration	944
Total	2,079

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	4,994	6,997
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details) *	1,471	1,471
Total: cash at end of quarter (item 1.22)	6,465	8,468

* 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	South Texas	Oil & Gas Leases	4,854	4,848

+ See chapter 19 for defined terms.

6.2 Interests in mining tenements acquired or increased	East Texas	Oil & Gas Leases	6,426	10,010
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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 <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	*Ordinary securities	102,135,433			
7.4	Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	(a) 4,000,000	(a) 4,000,000	(a) N/A	(a) 20.5 cents
7.5	*Convertible debt securities <i>(description)</i>	None			
7.6	Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	None			
7.7	Options <i>(description and conversion factor)</i>	OP1: 1,200,000 OP2: 1,100,000 OP3: 1,100,000 OP4: 1,200,000	nil nil nil nil	<i>Exercise price</i> \$0.0675 \$0.0675 \$0.0675 \$0.0675	<i>Expiry date</i> 07/03/2019 07/03/2020 07/03/2021 20/06/2018

+ See chapter 19 for defined terms.

7.8	Issued during quarter	OP1: 1,200,000 OP2: 1,100,000 OP3: 1,100,000 OP4: 1,200,000	nil nil nil nil	<i>Exercise price</i> \$0.0675 \$0.0675 \$0.0675 \$0.0675	<i>Expiry date</i> 07/03/2019 07/03/2020 07/03/2021 20/06/2018
7.9	Exercised during quarter	None			
7.10	Expired during quarter	None			
7.11	Debentures <i>(totals only)</i>	None			
7.12	Unsecured notes <i>(totals only)</i>	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 ~~does not~~* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: Date: 31 July 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

+ See chapter 19 for defined terms.

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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