

ASX Announcement

Date: 21 December 2011



Texon Petroleum Ltd
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Directors:

John Armstrong
David Mason
Bernard Rowley

Company Secretary:

Des Olling

Contact:

Cliff Foss
President & CEO
cfoos@texozep.com

or:

John Armstrong
Chairman
john.armstrong@texonpetroleum.com.au

Website:

www.texonpetroleum.com.au

ASX Code: TXN

Issue of Unlisted Incentive Options

The attached Appendix 3B advises the issue of 7,900,000 unlisted incentive options over the ordinary shares of the Company. Newly appointed CEO Mr Clifford S. Foss Jr, has been issued 7,000,000 options in two tranches (refer to our release 30 November 2011 for details), Company Secretary Mr Des Olling has been issued 600,000 and 100,000 options have been issued to each of three Specialist Mappers contracted to Wandoo Energy LLC.

Directors believe the issue of the options will act as an incentive to the option holders who are all working to achieve the Company's goals and objectives.

-Ends

Appendix 3B

New issue announcement, application for quotation of additional securities and agreement

Information or documents not available now must be given to ASX as soon as available. Information and documents given to ASX become ASX's property and may be made public.

Introduced 1/7/96. Origin: Appendix 5. Amended 1/7/98, 1/9/99, 1/7/2000, 30/9/2001, 11/3/2002, 1/1/2003, 24/10/2005.

Name of entity

TEXON PETROLEUM LTD

ABN

24 119 737 772

We (the entity) give ASX the following information.

Part 1 - All issues

You must complete the relevant sections (attach sheets if there is not enough space).

1 +Class of +securities issued or to be issued

Unlisted Options

2 Number of +securities issued or to be issued (if known) or maximum number which may be issued

7,900,000

<p>3 Principal terms of the +securities (eg, if options, exercise price and expiry date; if partly paid +securities, the amount outstanding and due dates for payment; if +convertible securities, the conversion price and dates for conversion)</p>	<p>Exercise price for the options issued to Mr Foss and Mr Olling is A70 cents per option. For the three Specialist Mappers, a range between A49.0 and A58.5 cents per option.</p> <p>The options are exercisable only when the volume weighted average price of Texon shares equals or exceeds 150% of the option exercise price over 20 consecutive trading days.</p> <p>Expiry date for Mr Foss is 30 November 2016, Mr Olling 31 December 2015, the three Specialist Mappers between 28 June 2015 and 29 August 2015.</p>
<p>4 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?</p> <p>If the additional securities do not rank equally, please state:</p> <ul style="list-style-type: none"> • the date from which they do • the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment • the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment 	<p>Yes, upon exercise to fully paid ordinary shares</p>
<p>5 Issue price or consideration</p>	<p>No consideration paid</p>
<p>6 Purpose of the issue (If issued as consideration for the acquisition of assets, clearly identify those assets)</p>	<p>As incentive to achieve Company's strategic goals.</p>
<p>7 Dates of entering +securities into uncertificated holdings or despatch of certificates</p>	<p>20 December 2011</p>

Number	+Class
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8	Number and ⁺ class of all ⁺ securities quoted on ASX (including the securities in clause 2 if applicable)	242,539,848	Fully paid ordinary shares.
9	Number and ⁺ class of all ⁺ securities not quoted on ASX (including the securities in clause 2 if applicable)	13,200,000	Options to acquire fully paid ordinary shares.
10	Dividend policy (in the case of a trust, distribution policy) on the increased capital (interests)	Directors do not consider that the payment of a dividend is appropriate at this period in the Company's development.	

Part 2 - Bonus issue or pro rata issue

11	Is security holder approval required?	
12	Is the issue renounceable or non-renounceable?	
13	Ratio in which the ⁺ securities will be offered	
14	⁺ Class of ⁺ securities to which the offer relates	
15	⁺ Record date to determine entitlements	
16	Will holdings on different registers (or subregisters) be aggregated for calculating entitlements?	
17	Policy for deciding entitlements in relation to fractions	
18	Names of countries in which the entity has ⁺ security holders who will not be sent new issue documents Note: Security holders must be told how their entitlements are to be dealt with. Cross reference: rule 7.7.	

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- 19 Closing date for receipt of acceptances or renunciations
- 20 Names of any underwriters
- 21 Amount of any underwriting fee or commission
- 22 Names of any brokers to the issue
- 23 Fee or commission payable to the broker to the issue
- 24 Amount of any handling fee payable to brokers who lodge acceptances or renunciations on behalf of ⁺security holders
- 25 If the issue is contingent on ⁺security holders' approval, the date of the meeting
- 26 Date entitlement and acceptance form and prospectus or Product Disclosure Statement will be sent to persons entitled
- 27 If the entity has issued options, and the terms entitle option holders to participate on exercise, the date on which notices will be sent to option holders
- 28 Date rights trading will begin (if applicable)
- 29 Date rights trading will end (if applicable)
- 30 How do ⁺security holders sell their entitlements *in full* through a broker?
- 31 How do ⁺security holders sell *part* of their entitlements through a broker and accept for the balance?

Part 3 - Quotation of securities

You need only complete this section if you are applying for quotation of securities

- 32 How do +security holders dispose of their entitlements (except by sale through a broker)?
- 33 +Despatch date
- 34 Type of securities
(tick one)
- (a) Securities described in Part 1
- (b) All other securities
Example: restricted securities at the end of the escrowed period, partly paid securities that become fully paid, employee incentive share securities when restriction ends, securities issued on expiry or conversion of convertible securities

Entities that have ticked box 34(a)

Additional securities forming a new class of securities

Tick to indicate you are providing the information or documents

- 35 If the +securities are +equity securities, the names of the 20 largest holders of the additional +securities, and the number and percentage of additional +securities held by those holders **See below**
- 36 If the +securities are +equity securities, a distribution schedule of the additional +securities setting out the number of holders in the categories:
- | | |
|------------------|-----|
| 1-1,000 | nil |
| 1,001 - 5,000 | nil |
| 5,001 - 10,000 | nil |
| 10,001 - 100,000 | 3 |
| 100,001 and over | 2 |
- 37 A copy of any trust deed for the additional +securities

Entities that have ticked box 34(b)

38 Number of securities for which +quotation is sought

39 Class of +securities for which quotation is sought

40 Do the +securities rank equally in all respects from the date of allotment with an existing +class of quoted +securities?

If the additional securities do not rank equally, please state:

- the date from which they do
- the extent to which they participate for the next dividend, (in the case of a trust, distribution) or interest payment
- the extent to which they do not rank equally, other than in relation to the next dividend, distribution or interest payment

41 Reason for request for quotation now

Example: In the case of restricted securities, end of restriction period

(if issued upon conversion of another security, clearly identify that other security)

	Number	+Class
42 Number and +class of all +securities quoted on ASX (including the securities in clause 38)		

Quotation agreement

- 1 +Quotation of our additional +securities is in ASX's absolute discretion. ASX may quote the +securities on any conditions it decides.
- 2 We warrant the following to ASX.
 - The issue of the +securities to be quoted complies with the law and is not for an illegal purpose.
 - There is no reason why those +securities should not be granted +quotation.
 - An offer of the +securities for sale within 12 months after their issue will not require disclosure under section 707(3) or section 1012C(6) of the Corporations Act.

Note: An entity may need to obtain appropriate warranties from subscribers for the securities in order to be able to give this warranty
 - Section 724 or section 1016E of the Corporations Act does not apply to any applications received by us in relation to any +securities to be quoted and that no-one has any right to return any +securities to be quoted under sections 737, 738 or 1016F of the Corporations Act at the time that we request that the +securities be quoted.
 - If we are a trust, we warrant that no person has the right to return the +securities to be quoted under section 1019B of the Corporations Act at the time that we request that the +securities be quoted.
- 3 We will indemnify ASX to the fullest extent permitted by law in respect of any claim, action or expense arising from or connected with any breach of the warranties in this agreement.
- 4 We give ASX the information and documents required by this form. If any information or document not available now, will give it to ASX before +quotation of the +securities begins. We acknowledge that ASX is relying on the information and documents. We warrant that they are (will be) true and complete.

Sign here:



(Company secretary)

Date: 21 December 2011

Print name: Desmond Frederick Olling