



ABN 24 119 737 772

31 July 2012  
ASX release

## June 2012 Quarterly Report

### Production

Production for the quarter and year to date was:

	Quarter 3 months ended 30 June 2012	Year to date 6 months ended 30 June 2012
<b>Gross:</b>		
Gas (mmcf)	60.1	262.8
Oil (mdbl)	41.1	111.7
Total (mboe <sup>(2)</sup> )	51.1	155.5
<b>Nett (Texon share):</b> <sup>(1)</sup>		
Gas (mmcf)	39.1	143.2
Oil (mdbl)	27.2	72.2
Total (mboe <sup>(2)</sup> )	33.8	96.1

Gross average daily production for the June quarter was 661 mcf/gpd and 452 bopd (Texon's share<sup>(1)</sup>: 430 mcf/gpd and 299 bopd (371 boepd)) from 6 producing wells.

The Company's average daily production in the June quarter of 371 boepd was a significant reduction from the March quarter average of 700 boepd as a result of the sale of our Leighton Olmos and Yegua production from 15 producing wells effective 1 February 2012, and natural decline in the Company's four Eagle Ford wells. The Company expects production in the September quarter to increase as the fifth Eagle Ford well (Peeler #1H) and the Wheeler #1 Olmos well come onstream.

Gross average daily production for the current month through 23 July 2012 is about 632 boepd (528 bopd and 621 mcf/gpd) and Texon's share<sup>(1)</sup> being: 425 boepd (355 bopd and 421 mcf/gpd).

<sup>(1)</sup> Texon'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.

### Reserves

A Reserves Report is being prepared that will include the results of the Company's fifth Eagle Ford well, Peeler #1H, and the Wheeler #1 Olmos well. The report should be available by 31 August 2012.

## Eagle Ford Project

The Company has 7,196 Eagle Ford net working interest acres under lease (93.3% WI in 7,712 acres).

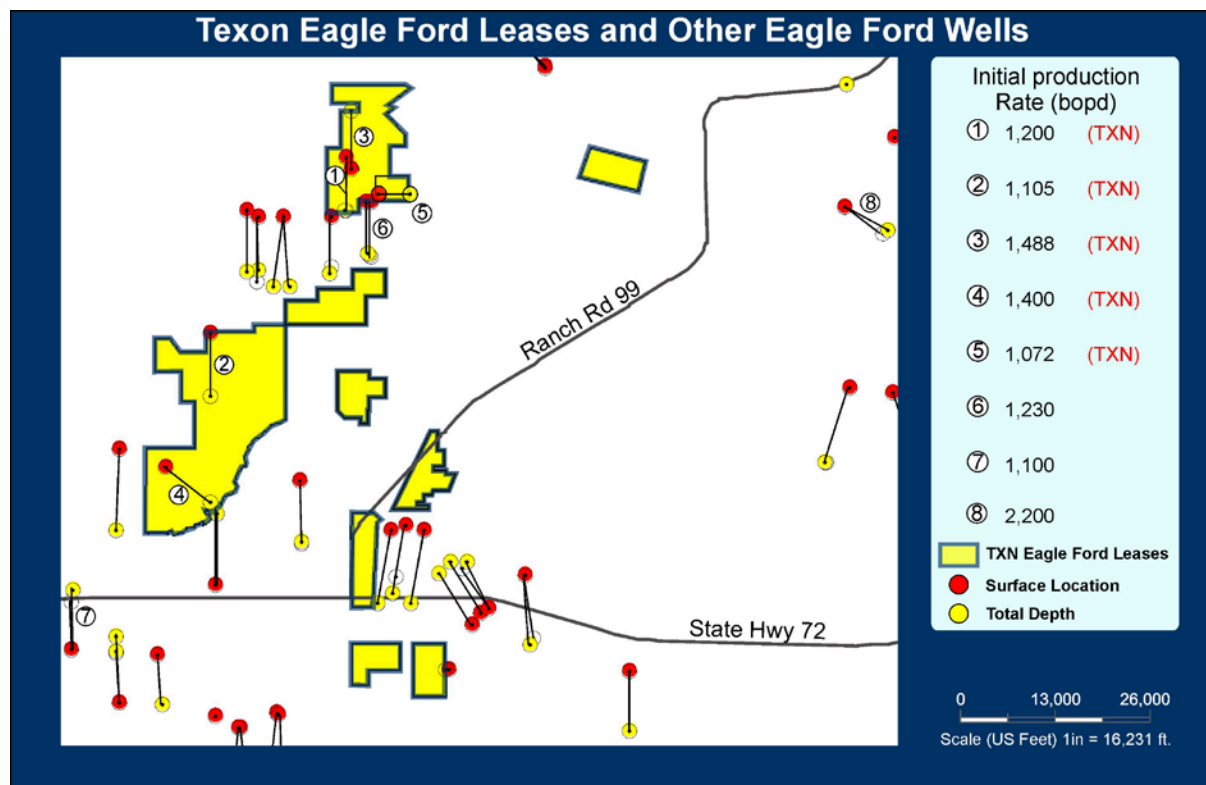
The 2012 Eagle Ford drilling program commenced with the Company's fifth Eagle Ford well, the Peeler #1H, a lease commitment well, in May. The well reached its total depth of 14,795 ft on 28 May after drilling some 4,200 ft of horizontal section. The well was fraced in mid-July with 15 stages and as announced on 23 July the initial production rate was 1,072 bopd and 1.137 mmcfcpd (1,262 boepd).

The fracture stimulation included perforating and fracing the Austin Chalk and production will be from both Austin Chalk and Eagle Ford formations as the Austin Chalk directly overlies and is contiguous with the Eagle Ford Shale.

Texon has a 89.24% WI (66.9% NRI) in the well, which is located immediately adjacent to the Company's third Eagle Ford well (Tyler Ranch #2H), our most prolific producing well.

In February this year the Company announced that it had appointed Houston based Albrecht and Associates and Brisbane based RBS Morgans to seek potential buyers for all or part of the Company's Eagle Ford project. The intention of the transaction is either to fully or partially monetize (lease sale, corporate trade, farm out, joint venture) the Company's Eagle Ford to achieve the optimal outcome for shareholders. A target completion date of mid-2012 was indicated.

As discussed in our Investor Update of 28 June, currently a transaction involving Texon's Eagle Ford is the subject of discussions with a number of parties in Asia, the USA and Australia. These involve varying transaction types, which have to be carefully assessed and compared. As these discussions progress Texon will provide further updates when appropriate.



## Mosman / Rockingham Olmos

A review of recently acquired 3D seismic over the Mosman/Rockingham leases indicates an area of 1,560 acres where the 3D response to the Olmos is similar to the 3D Olmos character at Leighton, suggesting a potential for 30 Olmos wells on 40 acre spacing. This is similar to the number of Olmos well locations at Leighton.

The Company began drilling the first 2012 Mosman-Rockingham Olmos well in May. The Wheeler #1 was drilled to its total depth of 9,200 ft and was tested in early June, recording an initial production rate of 193 bopd and 160 mcfcpd (220 boepd). Texon has a 95% WI in the well.

The Company is currently running production tubing in the Wheeler #1 and is preparing to put the well into production within the week.

Average production from nearby Olmos wells in the AWP field to the east is 130,000 boe per well, and revenue would be 90% linked to the oil price. On this basis, there is potentially a resource of about 3 mmboe to Texon's WI which represents a valuable new low risk initiative for the Company.

## Wilcox

The Company's first Wilcox well (Hoskins #2 (Wilcox)) flowed at an initial rate of 55 bopd in January 2012 and is now on pump. The Wilcox reservoir could cover 1,500-2,000 acres in the Mosman-Rockingham leases where the Company's WI is 95-100% WI. The well is producing an average of 18 bopd and will be monitored to ascertain its commerciality.

## Other Projects

A number of multi-well and resource oil projects are being investigated targeting projects which have a potential value to the Company similar to that of our current Eagle Ford holding. The Company has recently located significant open acreage in East Texas that is considered prospective for a shallow oil drilling program. Early leasing assessment is in progress and could possibly become drillable by year end 2012 or early 2013.

## Corporate

### **Annual General Meeting**

The Company's AGM was held on 30 May 2012 and all resolutions were passed unanimously.

An amendment to the Company's Constitution was approved by shareholders at the AGM where the maximum number of Directors was reduced from 10 to five.

### **Prospect Generation Agreement**

In May the Company and Wandoo Energy agreed to variations to the agreement including a five year extension of the agreement until April 2019 and the enlargement of the area available to the Company from 32,000 square miles to 82,000 square miles so that new higher quality material prospects will be generated for the Company. The focus of the extended area is primarily in the prolific oil producing East Texas Basin.

An Extraordinary General Meeting will be held on 31 August 2012 to seek shareholder approval for these amendments, as well as bringing shareholders and investors up to date on the various matters in this report and new strategic initiatives that have been commenced by the Company over the last few months. The Notice of Meeting will be posted to shareholders on 31 July.

## Options

In April 2,500,000 unlisted options with an exercise price of A\$0.50 were exercised providing funds of A\$1,250,000 to the Company. In May 2,500,000 unlisted options with an exercise price of A\$1.00 expired.

In the May AGM shareholders approved the issue of 6,000,000 unlisted options to Chairman Dr John Armstrong and 600,000 unlisted options to Director Mr Bernard Rowley.

The Company granted 3,000,000 unlisted options to Wandoo Energy as part of the amendments to the Prospect Generation Agreement agreed in May. The issue of these options is subject to shareholder approval at the Extraordinary General Meeting on 31 August 2012.

Excluding the Wandoo Energy options there remain 14,800,000 unlisted options to be exercised between February 2013 and November 2016. Issued fully paid ordinary shares are now 245,039,848.

– ENDS –

## For further information, please contact:

Mr Cliff Foss  
Chief Executive Officer & President  
Houston: +1 281 419 4976 (Houston is 15 hours behind Aust Eastern Standard time)

Dr John Armstrong  
Chairman  
Brisbane: 07 3211 1122

## Glossary:

AGM:	Annual General Meeting
boe:	barrels of oil equivalent
boepd:	barrels of oil equivalent per day (including gas converted to oil equiv barrels on basis of 6mcf to 1 barrel of oil equiv)
bopd:	barrels of oil per day
EGM:	Extraordinary General Meeting
ft:	feet
mbbl:	thousand barrels
mboe:	thousand barrels of oil equivalent (including gas converted to oil equiv barrels on basis of 6mcf to 1 barrel of oil equiv)
mcf:	thousand cubic feet
mmcf:	million cubic feet
mcfgpd:	thousand cubic feet of gas per day
NRI:	Net Revenue Interest
WI:	Working Interest

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

TEXON PETROLEUM LTD

ABN

24 119 737 772

Quarter ended ("current quarter")

30 JUNE 2012

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors ( <i>Note A</i> )	3,978	11,629
1.2 Payments for		
(a) exploration and evaluation	(743)	(1,995)
(b) development	(4,183)	(6,892)
(c) production	(1,143)	(2,603)
(d) administration	(526)	(1,348)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	37	91
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	(34)
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(2,580)</b>	<b>(1,152)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	(15)	(22)
1.9 Proceeds from sale of:		
(a) prospects and properties	-	11,984
(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>(15)</b>	<b>11,962</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,595)</b>	<b>10,810</b>

*Note A: Cash proceeds from sales are generally received two months after production/sale takes place.*

+ See chapter 19 for defined terms.

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

1.13	Total operating and investing cash flows (brought forward)	(2,595)	10,810
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	1,250	1,250
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 – payment of share issue costs	-	-
	<b>Net financing cash flows</b>	1,250	1,250
	<b>Net increase (decrease) in cash held</b>	(1,345)	12,060
1.20	Cash at beginning of quarter/year to date	26,858	13,366
1.21	Exchange rate adjustments to item 1.20	253	340
1.22	<b>Cash at end of quarter</b>	25,766	25,766

**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	414
1.24	Aggregate amount of loans to the parties included in item 1.10	-

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

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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	Nil	N/a

+ See chapter 19 for defined terms.

3.2 Credit standby arrangements	Nil	N/a
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### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	831
4.2 Development	7,569
4.3 Production	839
4.4 Administration	826
<b>Total</b>	<b>10,065</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	5,680	4,849
5.2 Deposits at call	20,086	22,009
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>25,766</b>	<b>26,858</b>

### 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>	245,039,848	245,039,848		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	2,500,000	2,500,000		
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>	A. nil B. nil C. 300,000 D. 7,000,000 E. 600,000 F. 100,000 G. 100,000 H. 100,000 I. 6,000,000 J. 600,000	nil nil nil nil nil nil nil nil nil nil	<i>Exercise price</i>  26 cents 70 cents 70 cents 58.5cents 49 cents 58.5 cents 70 cents 70 cents	<i>Expiry date</i>  14-02-2013 30-11-2016 31-12-2015 28-06-2015 29-08-2015 29-08-2015 30-05-2016 30-05-2016
7.8 Issued during quarter	I. 6,000,000 J. 600,000	nil nil	70 cents 70 cents	30-05-2016 30-05-2016
7.9 Exercised during quarter	A. 2,500,000	nil	50 cents	
7.10 Expired during quarter	B. 2,500,000	nil	100 cents	

+ See chapter 19 for defined terms.



7.11	<b>Debentures</b> <i>(totals only)</i>	None	
7.12	<b>Unsecured notes</b> <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 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 

Company secretary

Date: 31 July 2012

Print name: Desmond Frederick Olling

## 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 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting 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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+ See chapter 19 for defined terms.