

ASX Announcement
Date: 18 November 2011



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ASX Code: TXN

New Texon – Wandoo Prospect Generation Agreement

- Extended Term – 5 more years to 2019
- Increased Mapping Area - 100% more
- 180 3D Seismic Surveys - 35% more
- Increased Mapping Capability
- Shareholder Approval

Shareholder Approval

Where required (as indicated by a “#” symbol), shareholder approval of the following arrangements which have been agreed between Texon and Wandoo Energy LLC⁽¹⁾ will be sought at the next General Meeting of the Company.

IPO – and 3D Potential

At the time of its 2007 IPO, through its Prospect Generation Agreement (“PGA”) with Wandoo, the Company had first right of refusal on all prospects generated by Wandoo from some 133 3D surveys available to Wandoo. This led to the Company having a success rate of 80% from its first 26 wells – including Eagle Ford, Olmos, Yegua and Frio targets, illustrating the potential value of having access to this very extensive 3D seismic data base.

Texon – Wandoo Agreement – 100% Increase in Area (#)

Texon and Wandoo have agreed to extend the area which is subject to the PGA by over 100% (the red area) as shown on the *attached map*. All prospects created by Wandoo in the blue and red areas will be subject to Texon’s first right of refusal entitlement per the PGA.

⁽¹⁾ Wandoo is a USA based company associated with Mr David Mason, CEO of Texon.

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Texon – Wandoo Agreement – 5 Year Extension (#)

Texon and Wandoo have agreed to extend the PGA for a further 5 years to May 2019. This will ensure that Texon's first right of refusal on all prospects generated by Wandoo will be available for the next seven and a half years. This extension applies to both **blue** and **red** areas on the *attached map*. Working Interest and Royalty arrangements in the **red** area are similar to those in the **blue** which are set out in the Company's 2007 IPO document. Texon's **red** area Working Interest and Nett Revenue entitlements are the same as in the **blue**.

180 3D Seismic Surveys

Wandoo now has access to 180 3D seismic surveys – a 35% increase which will cover additional key parts of the Eagle Ford resource play, but also other oil and gas trends which are expected to provide an ongoing series of opportunities for the Company. If Wandoo obtains access to new surveys, these also become part of the PGA arrangement between Texon and Wandoo.

Texon will fund the engagement by Wandoo of several new very experienced Texas Gulf Coast project mappers targeting increased Wandoo prospect output for Texon.

As part of this Agreement, Wandoo or its nominee will receive 5 million unlisted Texon incentive stock options. Please refer to the attached Explanatory Note (#).

The Board is very pleased with the extended term and area of the Company's arrangement with Wandoo which should provide the Company with a steady and reinvigorated flow of oil and gas project opportunities.

Oil and gas futures prices (Source: NYMEX December 2011 contracts)

Oil: US\$98.76/bbl

Gas: US\$3.45/mmbtu (this translates to approx. US\$5.70/mcf for all Texon gas – including US\$6.60/mcf for Olmos and Eagle Ford gas)

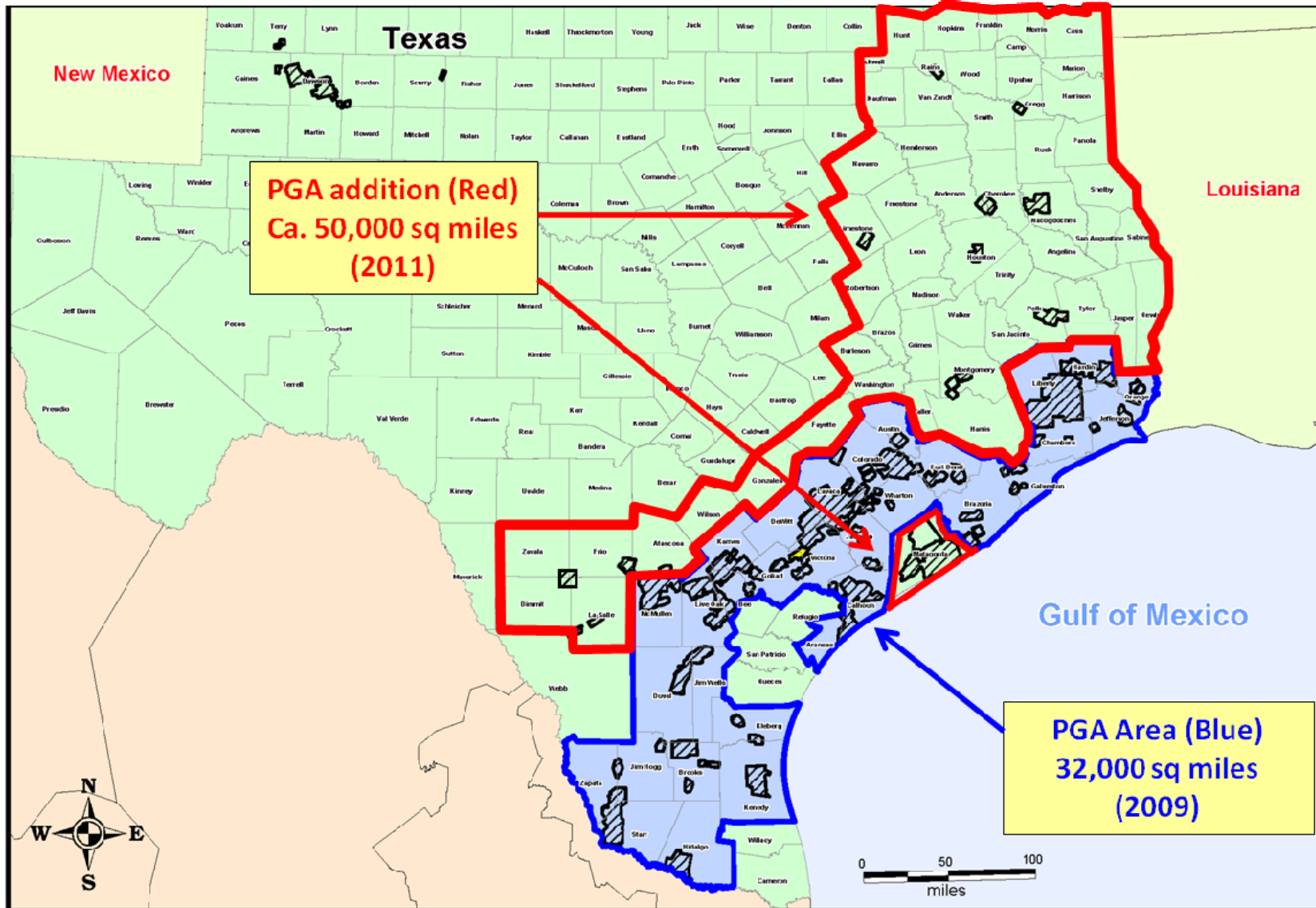
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Glossary:

bbl: barrel
bcf: billion cubic feet
mmbtu: million British thermal units
mmcfcpd: million cubic feet of gas per day
WI: Working Interest

Attachments:

(1) Map
(2) Explanatory Note



Explanatory Note attached to Texon ASX release dated 18 November 2011 (#)

Options

Wandoo's options will vest nine (9) months after the effective date of the PGA extension and expire on the termination of the PGA (full PGA term will extend until 1 May 2019). The exercise price is 70c/share and the options are only exercisable if the volume weighted average price (VWAP) of Texon's shares exceeds \$1.05/share over 20 consecutive trading days.

There are two exceptions:

1. If a change of control of the Company occurs, then the options vest immediately but without the 150% uplift requirement referred to above.
2. If the Company disposes of assets which have a value in excess of 50% of the aggregate value of all assets of Texon, the options vest 6 months after such a transaction and will be repriced by a formula based on the VWAP at the time of completion of such a transaction, with the requirement of a 150% uplift on the exercise price prior to option exercise being possible;

No cash amount is payable by Wandoo for the options.