



ABN 24 119 737 772

31 January 2012
ASX release

December 2011 Quarterly Report

Production

Production for the quarter and year to date was:

	Quarter 3 months ended 31 Dec 2011	Year to date 12 months ended 31 Dec 2011
Gross:		
Gas (mmcf)	408.5	1,409.1
Oil (mdbl)	135.1	328.4
Total (mboe ⁽²⁾)	203.2	563.3
Nett (Texon share): ⁽¹⁾		
Gas (mmcf)	184.2	610.6
Oil (mdbl)	82.9	193.2
Total (mboe ⁽²⁾)	113.6	295.0

Gross average daily production for the December quarter was 4,440 mcf/gpd and 1,469 bopd (Texon's share⁽¹⁾: 2,003 mcf/gpd and 901 bopd (1,235 boepd)) from 20 producing wells.

Gross average daily production for the current month through 27 January 2012 is about 1,879 boepd (1,163 bopd and 4,295 mcf/gpd) and Texon's share⁽¹⁾ being: 1,008 boepd (713 bopd and 1,769 mcf/gpd).

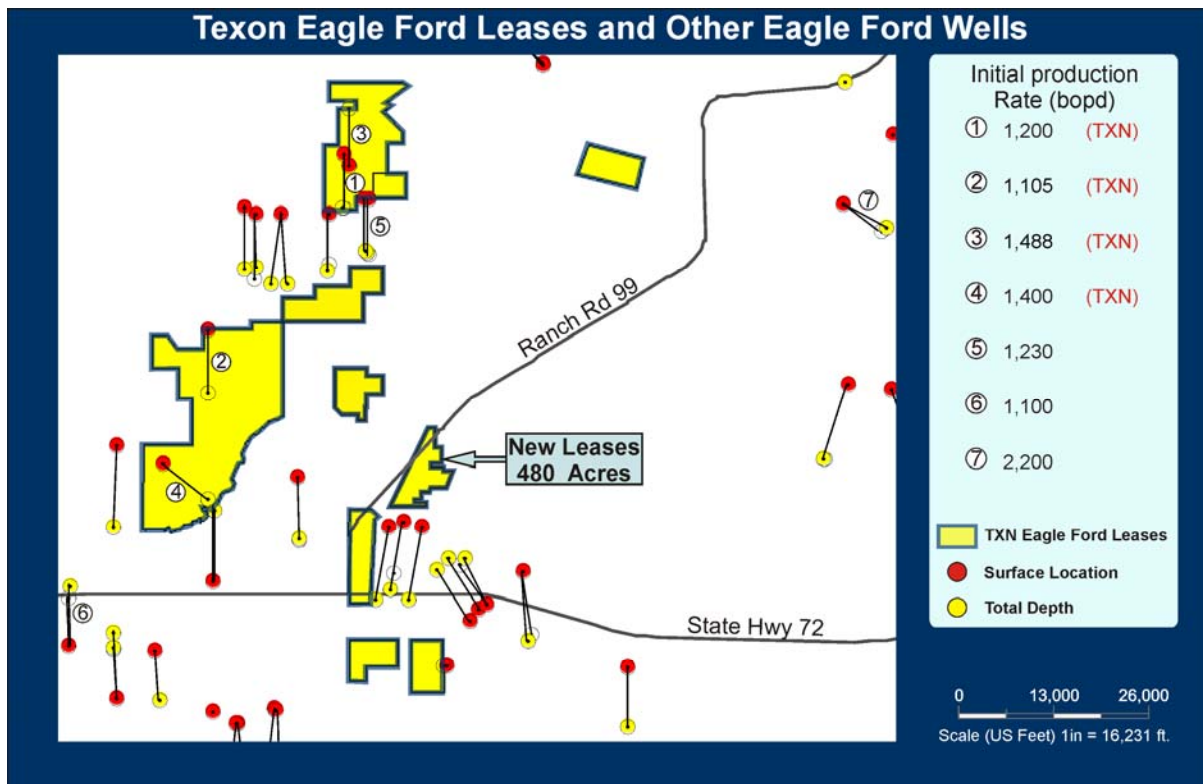
⁽¹⁾ Texon's beneficial NRI share (after Royalty)

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

Eagle Ford Project

The Company now has 7,214 Eagle Ford working interest acres under lease having recently expanded its position by acquiring an additional 480 acres. The Company's average working interest now is 93.2%.

The Company's Eagle Ford lease position has been significantly de-risked by the Company's four producing wells, and by the many offsetting wells by other operators. Texon has a sound lease position in the highly oil productive part of the Eagle Ford trend and is now considering how to realize the value of the Company's Eagle Ford holdings.



Leighton Olmos

Peeler #4, the twelfth Leighton well (all of which have been successful) finished drilling to a total vertical depth of 9,000 feet on 20 January. Production casing has been installed in the well in preparation for fracture stimulation in mid-February. The well will then be connected for oil and gas production. The Company's four nearby Olmos wells drilled in 2011 tested at initial rates of between 170 and 445 boepd.

The Leighton Olmos holding is now largely a development project and it is expected that there will be diminishing value uplift for future wells compared with the past. Consequently as announced in October 2011, the Company engaged Albrecht and Associates Inc, Houston based oil and gas divestment specialists to seek bidders to acquire the Leighton Olmos production and related leases. The proceeds will strengthen the Company's cash position.

The Company has an average of 63% WI in the Leighton Olmos project.

Mosman / Rockingham Olmos

The 3D seismic survey currently being acquired over the Mosman/Rockingham leases is due for completion in Q1 2012. The survey will enhance the mapping of Eagle Ford, Olmos, Wilcox and Pearsall prospects on the leases.

Wilcox

The Company's first Wilcox well (Hoskins #2 (Wilcox)) flowed at an initial rate of 55 bopd (37^o API). The Company has a 95%WI in the well.

Together with the indicated pay in the Company's Hoskins EFS #1H and Teal EFS #1H wells, the results suggest that the Wilcox reservoirs could occur over possibly 1,500-2,000 acres in the Mosman-Rockingham leases.

Oil contracts

For the month of December 2011, the Company received about \$5/bbl above WTI of \$98.53 for its Eagle Ford oil. For the months January to March 2012 the Company will receive \$1.65/bbl above Nymex WTI for its Eagle Ford oil.

New Texon / Wandoo agreement

As announced in November the Company amended its agreement with Wandoo Energy to extend the term for an additional five years to 2019 and increase the mapping area by over 100%. These amendments are subject to shareholder approval which is being sought at an EGM to be held early in March.

Through the agreement with Wandoo, the Company has first right of refusal on all prospects generated from Wandoo's database of 180 3D seismic surveys. To increase the output of prospects for Texon's review, Wandoo Energy has increased its staff to six mapping specialists.

Corporate**(a) CEO appointment**

The Company announced the appointment of Mr Clifford S Foss Jr as CEO from 1 December 2011. Mr Foss brings extensive experience in the oil and gas industry in the Texas Gulf Coast area.

Mr Foss took over from Mr David Mason who retired on 30 November 2011 after being the founding CEO at the IPO in 2007 and who steered the Company to its present stage of development.

(b) Options

In December 2011 unlisted incentive options were issued to the following:

Newly appointed CEO Mr Cliff Foss was issued 7,000,000 options. The options were issued in two tranches of 1,000,000 (tranche one) and 6,000,000 (tranche two) for a term of five (5) years to expire 30 November 2016.

Company Secretary Mr Des Olling was issued 600,000 options for expiry on 31 December 2015.

The exercise price for both issues is A70 cents per option provided that the options will only be exercisable when the volume weighted average price of the Company's shares equals or exceeds 150% of the option exercise price (A\$1.05) over 20 consecutive trading days.

During the quarter the Company also advised that 6,000,000 unlisted incentive options would be issued to the Chairman Dr John Armstrong and 600,000 unlisted incentive options would be issued to Director Mr Bernard Rowley. The options would be for a term of four years. Wandoo Energy will be issued with 5,000,000 unlisted incentive options for a term that coincides with the extension of the Prospect Generation Agreement ie 1 May 2019. All three issues have the same exercise price and hurdle restriction as with Messrs Foss and Olling and are subject to shareholder approval which is being sought at an Extraordinary General Meeting to be held in early March.

– ENDS –

For further information, please contact:

Dr John Armstrong,
Chairman
Brisbane: 07 3211 1122

or

Mr Cliff Foss,
Chief Executive Officer & President
Houston: +1 281 419 4976 (Houston is 16 hours behind Aust Eastern Standard time)

Glossary:

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
ft:	feet
mdbl:	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
mcfcpd:	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")

31 DECEMBER 2011

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors (Note A)	5,667	16,480
1.2 Payments for		
(a) exploration and evaluation	(3,477)	(12,774)
(b) development	(9,624)	(40,263)
(c) production	(1,087)	(2,808)
(d) administration	(814)	(2,585)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	47	228
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
Net Operating Cash Flows	(9,288)	(41,722)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(20)	(121)
1.9 Proceeds from sale of:		
(a)prospects and properties	-	-
(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	(20)	(121)
1.13 Total operating and investing cash flows (carried forward)	(9,308)	(41,843)

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

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(9,308)	(41,843)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	43,350
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	-	(1,833)
	Net financing cash flows	-	41,517
	Net increase (decrease) in cash held	(9,308)	(326)
1.20	Cash at beginning of quarter/year to date	23,764	13,657
1.21	Exchange rate adjustments to item 1.20	(1,090)	35
1.22	Cash at end of quarter	13,366	13,366

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	568
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	743
4.2	Development	2,883
4.3	Production	985
4.4	Administration	881
Total		5,492

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	3,301	2,913
5.2 Deposits at call	10,065	20,851
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	13,366	23,764

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 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	242,539,848	242,539,848		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	None	None		
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>	A. 2,500,000 B. 2,500,000 C. 300,000 D. 7,000,000 E. 600,000 F. 100,000 G. 100,000 H. 100,000	nil nil nil nil nil nil nil nil	<i>Exercise price</i> 50 cents 100 cents 26 cents 70 cents 70 cents 58.5cents 49 cents 58.5 cents	<i>Expiry date</i> 08-05-2012 08-05-2012 14-02-2013 30-11-2016 31-12-2015 28-06-2015 29-08-2015 29-08-2015
7.8 Issued during quarter	D. 7,000,000 E. 600,000 F. 100,000 G. 100,000 H. 100,000	nil nil nil nil nil	70 cents 70 cents 58.5cents 49 cents 58.5 cents	30-11-2016 31-12-2015 28-06-2015 29-08-2015 29-08-2015
7.9 Exercised during quarter	None			

+ See chapter 19 for defined terms.

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 4).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here:

Company secretary

Date: 31 January 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.