



ABN 24 119 737 772

30 April 2012  
ASX release

## March 2012 Quarterly Report

### Production

Production for the quarter was:

	Quarter 3 months ended 31 Mar 2012
<b>Gross:</b>	
Gas (mmcf)	216.5
Oil (mdbl)	71.0
Total (mboe <sup>(2)</sup> )	107.1
<b>Nett (Texon share): <sup>(1)</sup></b>	
Gas (mmcf)	111.1
Oil (mdbl)	45.2
Total (mboe <sup>(2)</sup> )	63.7

Gross average daily production for the March quarter was 2,379 mcfgpd and 780 bopd (Texon's share<sup>(1)</sup>: 1,221 mcfgpd and 497 bopd (700 boepd)) from 21 producing wells.

The Company's Leighton Olmos and Yegua production from 15 producing wells was sold effective 1 February 2012.

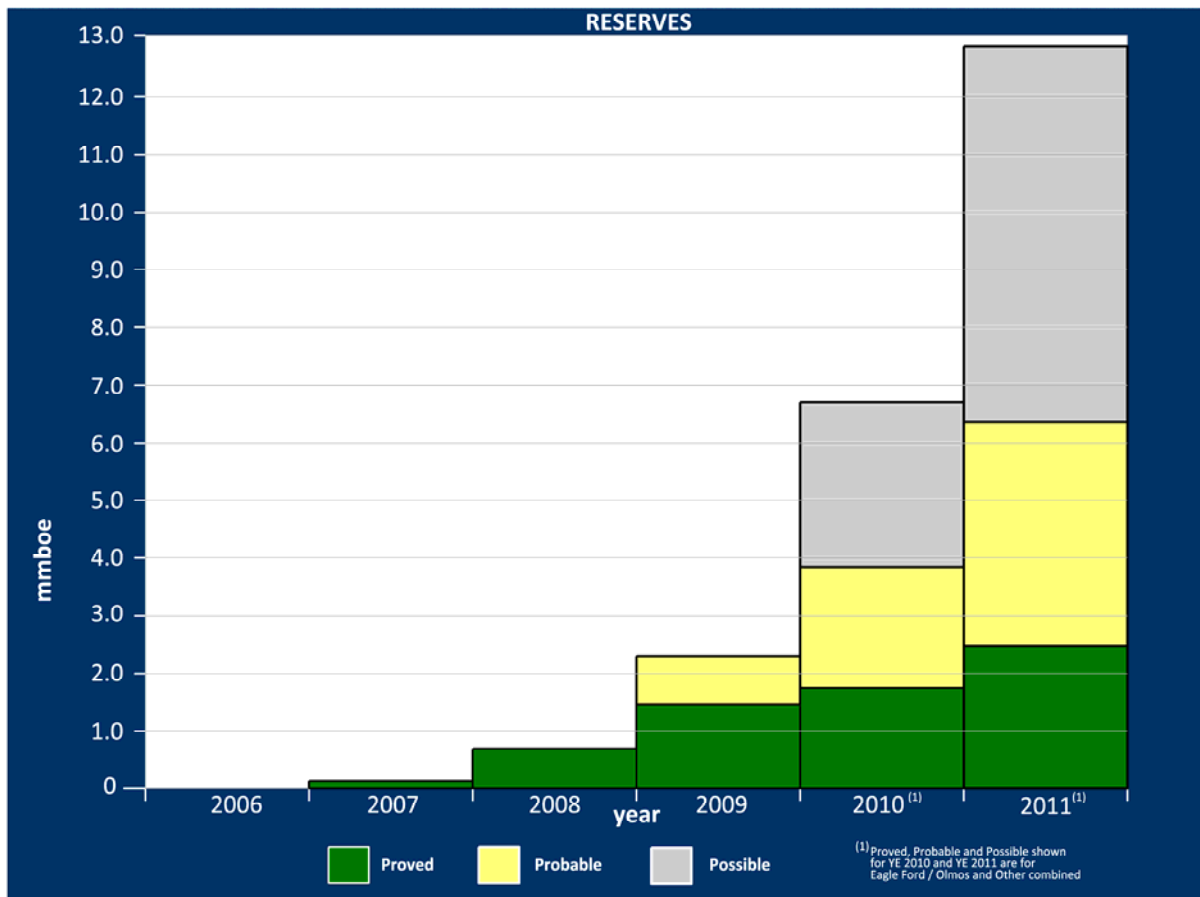
Gross average daily production for the current month through 24 April 2012 is about 593 boepd (516 bopd and 461 mcfgpd) and Texon's share<sup>(1)</sup> being: 370 boepd (342 bopd and 273 mcfgpd).

<sup>(1)</sup> Texon's beneficial NRI share (after Royalty)

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

### Reserves (\*)

Total 3P reserves of 12.88 mmboe for year end 2011 attributable to the Company's NRI is a 90% increase over year end 2010. Eagle Ford reserves provided the majority of the reserves with 11.33 mmboe which was 125% increase on the previous year.

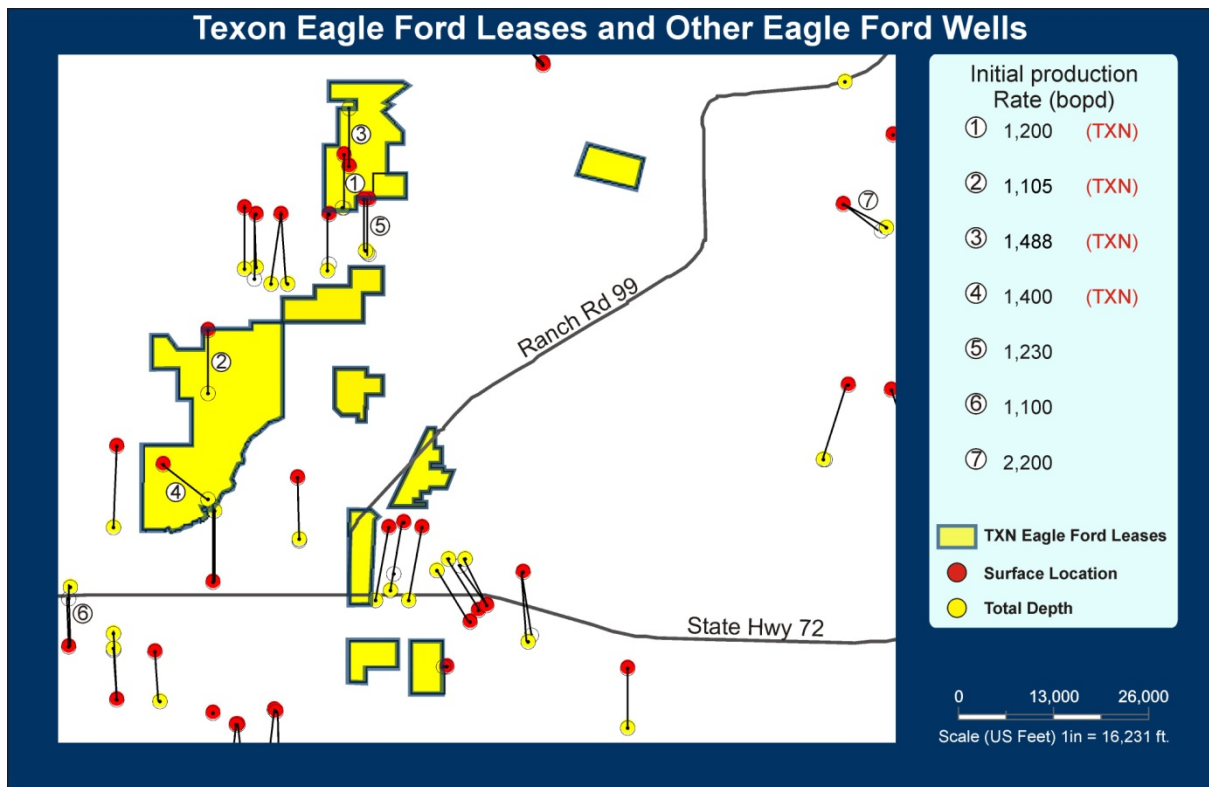


### Eagle Ford Project

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

The 2012 Eagle Ford drilling program is scheduled to commence with the Company's fifth Eagle Ford well, the Peeler #1H, a lease commitment well due to commence drilling early May. Texon will have a 82.2% WI (61.6% 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 Company believes that its four Eagle Ford wells have largely de-risked its Eagle Ford leases and that a sale will provide the opportunity for shareholders to benefit from the value of these holdings. Target completion date for a sale is mid June but completion will obviously depend on the Company receiving a satisfactory bid.



### Leighton Olmos

The Company closed a purchase and sale agreement with a USA based company on 6 March 2012 whereby Texon sold its holdings in the Leighton area Olmos reservoir, effective 1 February 2012. The net proceeds from the sale amounted to approximately US\$12.4 million before tax.

### Mosman / Rockingham Olmos

Review of newly 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 will begin drilling the first 2012 Mosman-Rockingham Olmos well in the June quarter, targeting the Olmos at 9,000 feet. 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. Texon will have a 95% WI in the well. 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. If the well is successful production could begin in July this year.

### 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 has 95-100% WI.

## 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. We plan to begin taking leases on one or more of these projects over the coming months with a view to beginning drilling towards the end of this year.

## Corporate

### 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. There remain 10,700,000 unlisted options to be exercised between May 2012 and November 2016. Issued fully paid ordinary shares are now 245,039,848.

(\*) The Eagle Ford reserves were assessed by Netherland, Sewell & Associates Inc. Other reserves of 1.55 mboe were taken to be the 2010 year end reserves determined by Hainey & Hainey less production in 2011. Netherland, Sewell & Associates Inc. and Hainey & Hainey are qualified in accordance with ASX Listing Rule 5.11. Netherland, Sewell & Associates Inc. has consented to the form and context of the Eagle Ford reserves shown in this report.

– ENDS –

### **For further information, please contact:**

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or

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Chief Executive Officer & President  
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### **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 MARCH 2012

### Consolidated statement of cash flows

Cash flows related to operating activities	Current quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors ( <i>Note A</i> )	7,651	7,651
1.2 Payments for		
(a) exploration and evaluation	(1,252)	(1,252)
(b) development	(2,709)	(2,709)
(c) production	(1,460)	(1,460)
(d) administration	(822)	(822)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	54	54
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(34)	(34)
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>1,428</b>	<b>1,428</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(7)	(7)
1.9 Proceeds from sale of:		
(a)prospects and properties	11,984	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>11,977</b>	<b>11,977</b>
1.13 Total operating and investing cash flows (carried forward)	13,405	13,405

*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)	13,405	13,405
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	-
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>	-	-
	<b>Net increase (decrease) in cash held</b>	13,405	13,405
1.20	Cash at beginning of quarter/year to date	13,366	13,366
1.21	Exchange rate adjustments to item 1.20	87	87
1.22	<b>Cash at end of quarter</b>	26,858	26,858

**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	534
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	1,093
4.2 Development	5,754
4.3 Production	803
4.4 Administration	1,256
<b>Total</b>	<b>8,906</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	4,849	3,301
5.2 Deposits at call	22,009	10,065
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>26,858</b>	<b>13,366</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>	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 <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. 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	None			
7.9 Exercised during quarter	None			
7.10 Expired during quarter	None			
7.11 <b>Debentures</b> <i>(totals only)</i>	None			

+ See chapter 19 for defined terms.



7.12	<b>Unsecured notes</b> ( <i>totals only</i> )	None	
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## 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: 30 April 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.