



ABN 24 119 737 772

ASX Release
31 August 2012

Extraordinary General Meeting Presentation

The attached presentation provides an update of the Company's projects and will be presented to the Extraordinary General Meeting today.

It provides an outline of what has been accomplished in the 3 months since the Company's AGM in May and sets out a schedule for drilling several wells. Also included are the Company's demerger plans which are intended to facilitate an Eagle Ford transaction as well as unlocking the value embedded in the Company's new oil projects.

For further information, please contact:

Dr John Armstrong
Chairman
Brisbane: 07 3211 1122

Or

Mr Clifford S. Foss Jr
Chief Executive Officer
Brisbane: 07 3211 1122

Texon Petroleum Ltd
ABN 24 119 737 772

Level 9, 46 Edward Street
Brisbane, Qld Australia 4000

Postal: GPO Box 402
Brisbane, Qld Australia 4001

Telephone: +61 7 3211 1122
Fax: +61 7 3211 0133

Directors:

John Armstrong
Bernard Rowley
David Mason

Company Secretary:

Des Olling

Contact:

Clifford S. Foss
President & CEO
cfoss@texozep.com

or:

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

Website:

www.texonpetroleum.com.au

ASX Code: TXN



Extraordinary General Meeting

31 August 2012

Important Statement

- The information contained in this presentation concerning Texon Petroleum Ltd (Texon) consists of general background information about Texon's activities as at the date of the presentation – 31 August 2012. This information is provided in summary form and may be derived from sources that have not been independently verified by Texon. No representation or warranty is made as to the accuracy, completeness or reliability of the information provided (including any tables, charts, diagrams or maps).
- The presentation contains certain statements (including projections, estimates, opinions and forecasts) concerning the anticipated future performance of Texon and its operations (Forward Looking Statements). None of these Forward Looking Statements is a guarantee or representation as to future performance or any other future matters, which will be influenced by a number of factors and subject to various uncertainties and contingencies, many of which will be outside Texon's control. Accordingly, Texon's actual results, performance and prospects could differ substantially from that expressed in or implied by the Forward Looking Statements. Texon undertakes no obligation to update publicly or release any revisions to the presentation or Forward Looking Statements to reflect events or circumstances after today's date or to reflect the occurrence of unanticipated events.
- This presentation is not an offer, invitation or recommendation to subscribe for securities by Texon. Nor does this presentation constitute advice to investors or potential investors and it should not be relied upon as such as it does not take into account the investment objectives, financial situation or needs of any particular investor. Recipients of this presentation are strongly recommended to seek their own financial, legal, tax and other advice and make their own independent investigations and appraisals of Texon and the information contained in this presentation .
- Texon, its related entities, officers, employees, advisors, consultants and agents disclaim and exclude to the extent permitted by law all liability (including negligence) for any loss, claim, demand, damages, costs and expenses of whatever nature (whether foreseeable or not) suffered or incurred by any person relying or acting on the information contained in the presentation (including the Forward Looking Statements) or arising in connection with that information being inaccurate or incomplete.

The Company

GOOD PROGRESS IN PROJECTS AND PLANS SINCE THE AGM

*This presentation outlines what has been accomplished,
the new Oil Projects, the proposed wells
and a demerger plan for the Company*

Since the AGM – The last 3 months – **Scorecard I**

1. 5th Eagle Ford Well – 1,072 bopd
2. Reserves increased
3. EFS Joint Venture created
4. Some EFS leases – terms improved
5. Funding Facility for EFS wells and leases
6. Several EFS wells planned
7. An EFS transaction not finalized – but progress on a potential transaction is taking place

Since the AGM – The last 3 months – **Scorecard II**

- ❖ MR Olmos Well – 220 boepd – sets up 1,200 acre oil project
- ❖ Two Mosman Rockingham (MR) Olmos wells planned
- ❖ East Texas (ET 1, 2, 3) oil projects leasing initiated – 1,200 acres so far – TXN 100% WI – target is 20,000 acres
- ❖ ET 4 Oil Project – 50% WI acquired - 3,275 acres to TXN WI
- ❖ i.e. 5,675 TXN WI acres now held in new oil projects
- ❖ Two ET oil wells scheduled
- ❖ Demerger of Company planned to facilitate an EFS transaction and to unlock value embedded in emerging oil projects

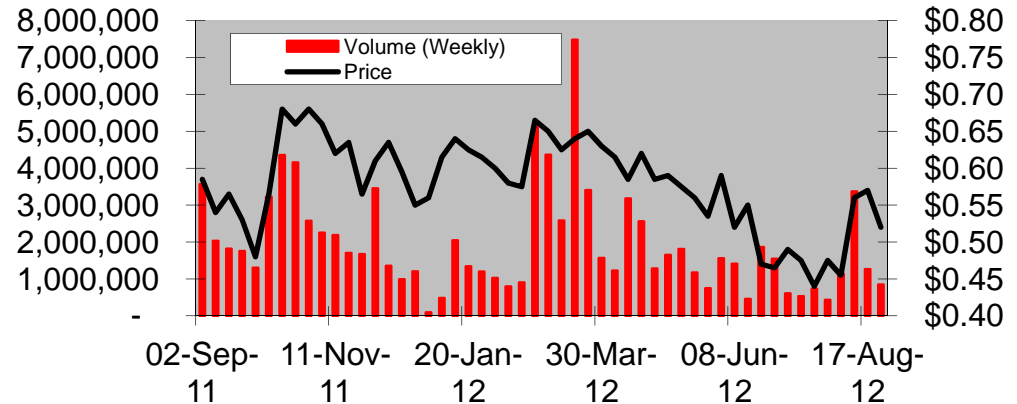
Texon

- ❖ Overview
- ❖ Reserves
- ❖ Corporate Matters
- ❖ Texon (EFS) – new Joint Venture and wells
- ❖ Texon (Other Assets) – Olmos and 2 new Oil Projects
- ❖ 6-9 oil wells in next 6-9 months
- ❖ Funding Facility
- ❖ Forward Plan

Texon - Overview

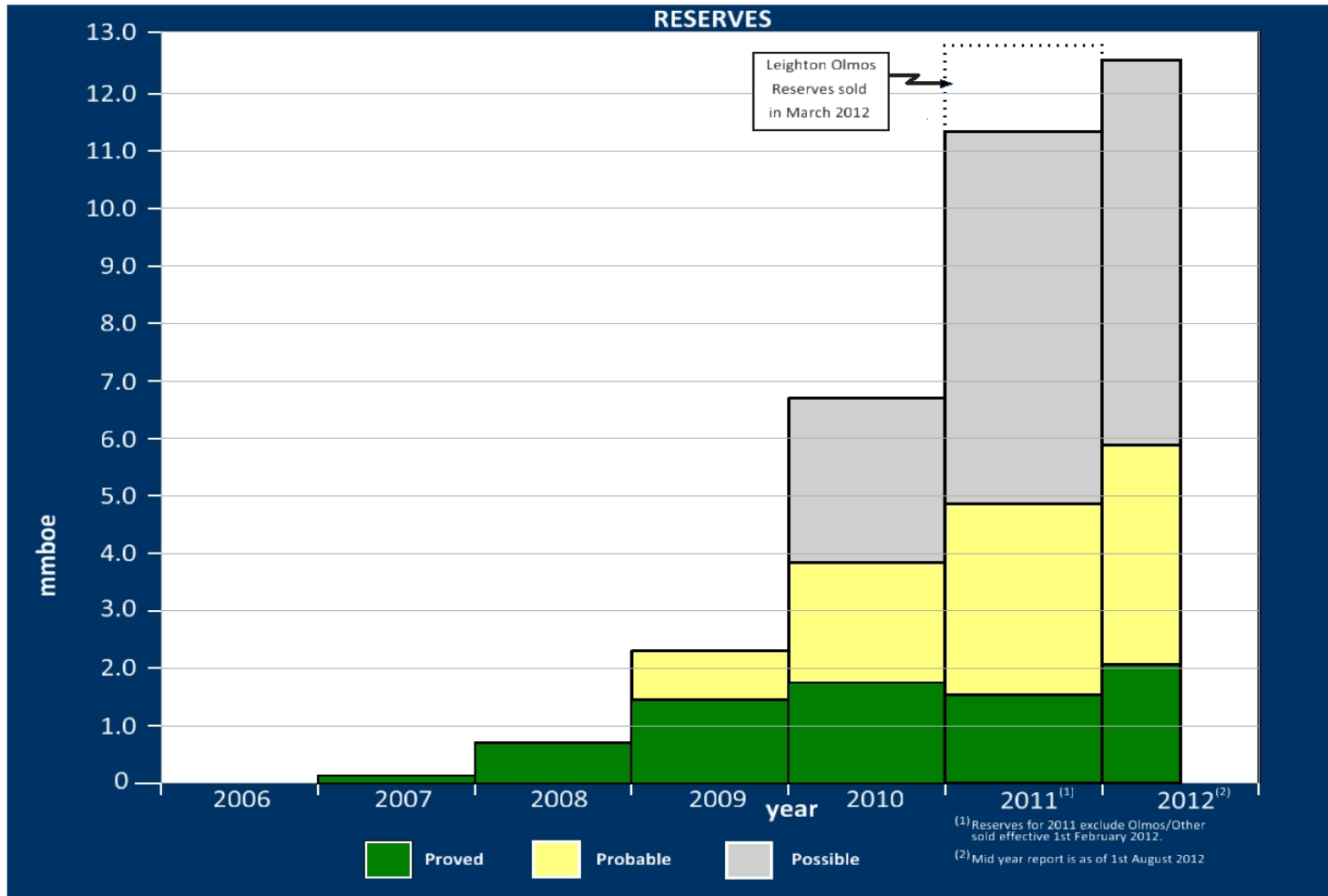
- ASX listed, Texas based oil and gas company

Exchange	ASX
ASX Code	TXN
Share Price	\$0.50
Shares on Issue	245m
Market Capitalisation	\$122.5m



- Mid Year Cash – A\$ 25.8 Million
- Forecast 2012 NRI Production – 151,000 bbls oil and 243mmcf (192,000 boe)
- Production (August) – 600 boe /day to TXN NRI
- Eagle Ford – 7,400 WI acres with WI potential of 60 mmboe
- Olmos – potentially 30 well oil project
- Two new oil projects – leasing in progress – now taking shape
- Reserves - increased

Reserves



The 2011 year end 3P reserves of 12.88 mmboe are adjusted for the sale of the Leighton Olmos and Yegua of 1.55mmboe. MY 2012 reserves are 12.57mmboe comprising EFS and Mosman Rockingham Olmos.

Netherland, Sewell & Associates, Inc. and Delilah B Hainey are qualified in accordance with ASX Listing Rule 5.11. Netherland, Sewell & Associates, Inc. has consented to the form and context of the reserves shown in this report.

Corporate Matters

- ❖ EFS monetization taking longer than expected – however, the Company is continuing to progress a potential transaction

- ❖ Parallel intention is to:
 - continue to enhance value of EFS holding

 - recognize and unlock other value embedded in Company

- ❖ Plan comprises:
 - Funding – secured for several new EFS wells

 - Corporate Demerger of Company:
 - Texon (EFS) - **EFS** has matured to a development / production phase and naturally sits **separately from Texon's exploration and development business**

 - Texon (Other) – Early stage Exploration and Development of New Oil Projects + PGA*

** PGA – Prospect Generation Agreement*



Eagle Ford Shale

Texon (EFS)

- ❖ 7,196 WI acres plus new EFS JV
- ❖ 59 mmboe WI potential (80 ac spacing) plus new EFS JV
- ❖ 5 successful wells
- ❖ Numerous undrilled well locations

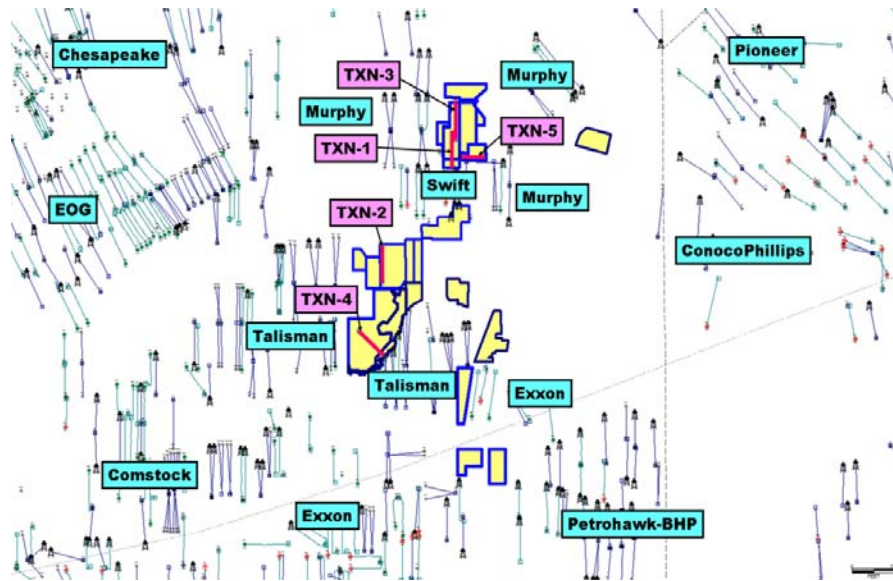
❖ New Joint Venture

❖ Drilling Plan

❖ Funding Facility

Texon (EFS) – 7,196 WI Acres (plus New Joint Venture)

- ❖ Texon has gross Eagle Ford holding of 7,712 acres with large working interests (WI) across its leases ranging from 82% to 100% (average WI of 93.3%) i.e. 7,196 Texon working interest acres.
- ❖ Texon's working interest estimated resource potential is approximately 59mmboe.
- ❖ Surrounded by large oil and gas industry companies.
- ❖ 3D seismic is available on all EFS leases – minimizes drilling / commercial failures.
- ❖ Closer well spacing has the potential to significantly increase the resource potential.



Texon (EFS) – 5 Successful Wells

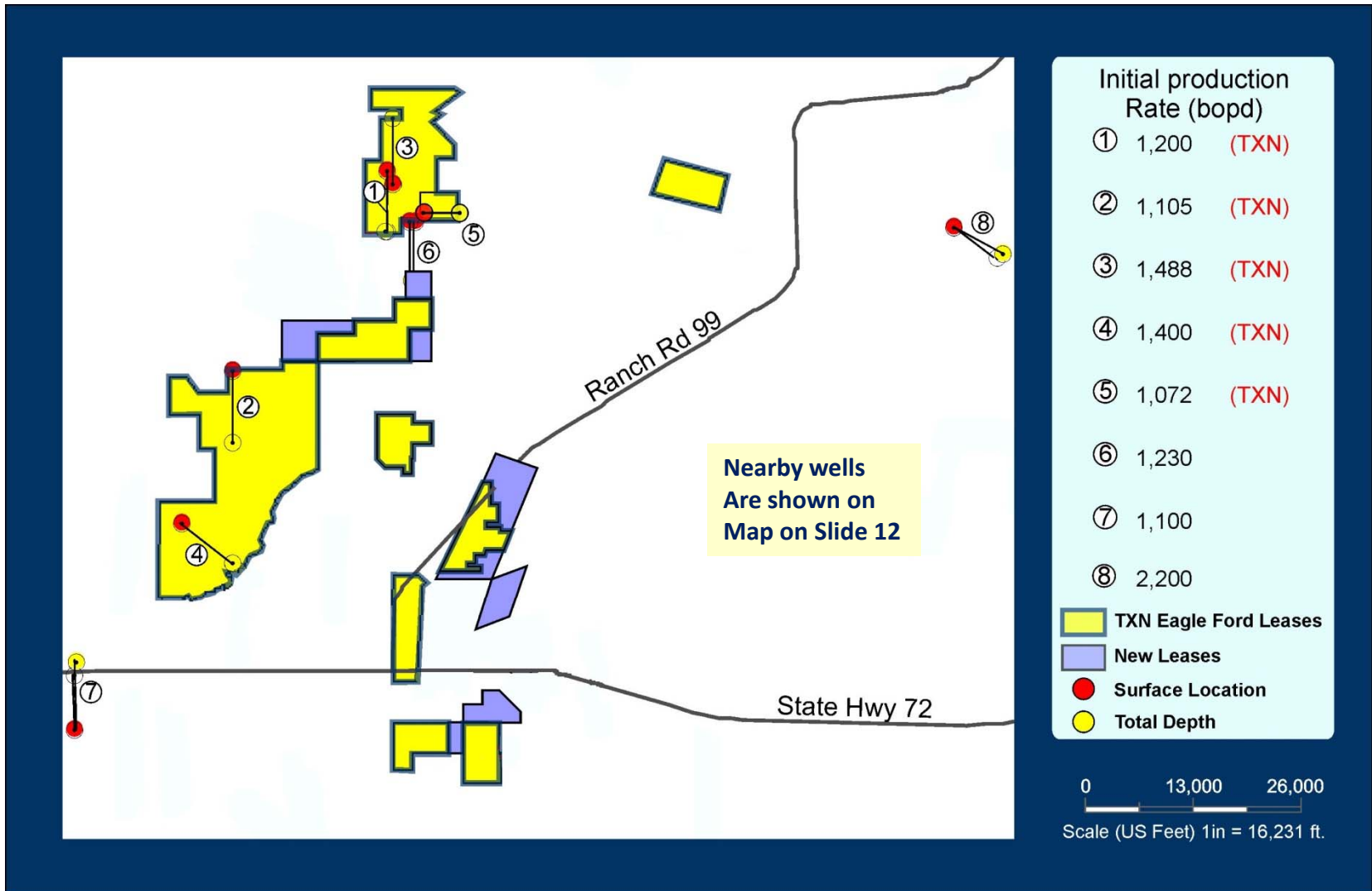
- ❖ Continued success through development drilling within Texon's EFS acreage increasing both reserves and production

Well Name	Initial Test Result Bopd
EFS -1 – Tyler Ranch 1H	1,200
EFS -2 – Teal 1H	1,105
EFS -3 – Tyler Ranch 2H	1,488
EFS -4 – Hoskins 1H	1,400
EFS -5 – Peeler Ranch 1H	1,072

Texon (EFS) – New Joint Venture

- ❖ New leases are contiguous with Texon's Leases
- ❖ All parties have agreed the JV terms
- ❖ Now being documented
- ❖ Adds 1,760 gross acres bringing the total gross to 9,470 acres
- ❖ Increases TXN area by 200 WI acres
- ❖ TXN now – ca. 7,400 WI acres
- ❖ TXN average WI – ca 78% across increased EFS lease area
- ❖ JV area shown on following map
- ❖ 1st JV well – September / October 2012

Texon (EFS) – Map of New Leases Added via Joint Venture



Texon (EFS) – New EFS Wells

Well No.	Timing	Texon WI (%)
EFS – 6 (JV well)	Sept / October 2012	50
EFS – 7 (JV well)	Possibly Q4 / 12	50
EFS – 8	November 2012	93
EFS – 9	December 2012	93
EFS – 10	Q1 / 13	93
EFS – 11	Q1 / 13	93
EFS – 12	Q1 / 13	93

Funding

- ❖ Existing Cash + Revenue [currently US\$1.3mm/month]

- ❖ Senior Secured Revolving Credit:
 - Term – 4 years
 - Interest only repayment schedule
 - Early repayment capability
 - Will fund EFS programme

- ❖ Credit Facility enables Company to fund programme of other new oil projects



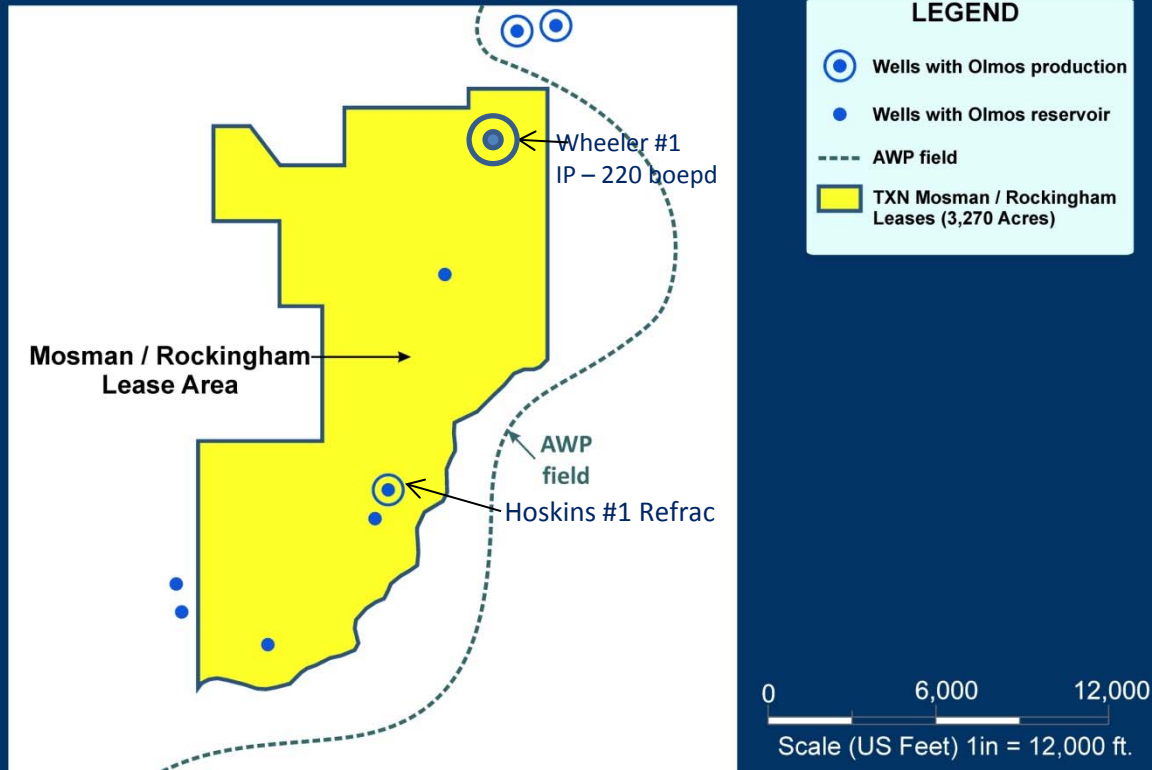
Exploration & Development
(Texon II)

Texon (II) – Other Projects

- ❖ Mosman / Rockingham Olmos – low risk 1,200 acre oil project
- ❖ Emerging oil projects
- ❖ East Texas (ET 1, 2, 3) – oil plays being leased (1,200 acres so far to TXN WI)
- ❖ ET 4 – low risk oil project (3,275 acres to TXN WI)
- ❖ i.e. Now have 5,675 TXN WI acres in three new oil projects
- ❖ New oil project drilling in next 6-9 months
- ❖ Database – extensive

Texon (II) – Mosman / Rockingham Olmos

Texon's Mosman / Rockingham Olmos Leases



- Oil
- Texon WI – 95-100%
- 1,200 acres of 3D indicated reservoir
- 30 '40 acre' well locations
- 3.0 mmboc low risk potential to Texon WI
- NSAI 15 PDP + PUD + Probable + Possible locations
- Similar in size to Leighton Olmos
- Refrac Hoskins well
- Two more wells by mid 2013
- Monetize

Texon (II) – Emerging Oil Projects

- ❖ Sample of kinds of projects for TXN to progress at 100% WI or in risk sharing Joint Venture

Prospect Name	Target	Single Well Economics NPV ₁₀ - \$MM	Prospect Potential - Most likely (mmboe)
ET 1	Cretaceous Oil	4.0	21
ET 2	Cretaceous Oil	4.0	8.8
ET 3	Cretaceous Oil	4.0	7.8
ET 4	Jurassic Oil	4.0	11
Bellambi	Cretaceous Oil	5.0	14.2
Sorrento	Cretaceous Oil	11.0	6.0
Dicks	Oligocene Gas Condensate	20.0	45-65

Texon (II) – East Texas (ET 1, 2, 3)

- ❖ Leasing in Progress
- ❖ 1,200 acres leased to date
- ❖ 20,000 acres targeted
- ❖ Potentially 38 mmboe target for TXN's 100% WI
- ❖ Proof of Concept well – Q2/2013

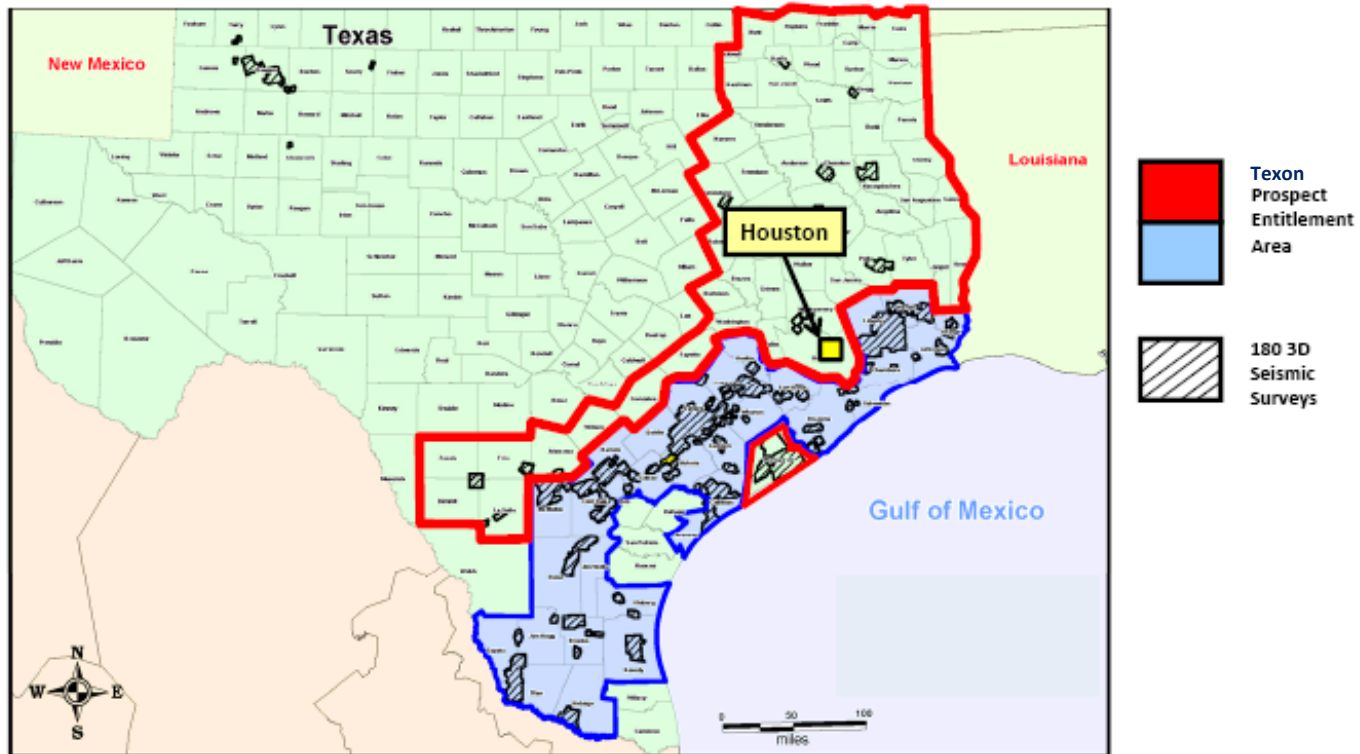
Texon (II) – ET 4 Oil Project

- ❖ Gross Area : 6,550 acres (TXN II – 3,275 WI acres)
- ❖ Location : Surrounded by producing wells
- ❖ Potential : 250 – 300,000 bbls oil per well [160 ac/well]
[drainage area may be 80 ac]
- ❖ Overall Potential : 11 mmbbl oil (160 ac/well)
- ❖ Texon WI : ca. 50%
- ❖ Agreement : Terms agreed – now being documented
- ❖ Drilling : First well in Q1/2013

Texon (II) – Drilling Plan

Well	Well Timing	Texon WI (%)
Hoskins #1 Refrac	October 2012	95%
MR Olmos – 2	Q1 / 2013	95%
MR Olmos – 3	2013	95%
ET 4	Q1 / 2013	50%
East Texas [ET 1, 2, 3] “Proof of Concept”	Q2 / 2013	100%

Texon (II) - Data Base



Through the Wandoo Prospect Generation Agreement (PGA) Texon has the first option on prospects generated from:

- 180 3D Seismic Surveys totalling 24,600km²
- 30,000 km 2D Seismic; and
- 212,000 km² Texon Prospect entitlement area

Texon – Why consider Demerger

- ❖ Texon's assets are in two classes - EFS – largely in development / production
 - Olmos / PGA / Oil Projects where Company is looking to find and derisk new oil plays onshore, Texas.
- ❖ Value of Olmos / PGA / Oil Projects largely unrecognized by market
- ❖ Demerge Olmos / PGA / Oil Projects to form new listed Texon II to recognize the value of recent Olmos well success as well as the value embedded in other emerging oil projects
- ❖ Texon shareholders to hold current number of Texon shares in each demerged company

Summary

- ❖ Continued success within the Texon's EFS leases is leading to increasing reserves position and production
- ❖ EFS transaction is behind schedule but still progressing
- ❖ New oil plays complement low risk Olmos oil project
- ❖ Overall, the Company is better placed than three months ago – now pressing ahead with a value adding forward plan

Texon - Forward Plan

❖ EFS:

- Progress derisking EFS via new Joint Venture and debt funded wells
- Finalize potential transaction

❖ Demerge Company to form Texon (II)

- Will recognize value embedded in emerging oil projects
- In Texon (II) drill Olmos appraisal wells and wells on two new East Texas oil projects
- Demerge in the coming months