

ASX Announcement

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Investor Update

Eagle Ford Transaction Progress

The Company is continuing to progress a potential transaction, and in parallel is aiming to enhance the value of the EFS holding by further drilling set out in this update.

Eagle Ford Joint Venture - Eagle Ford #6

The EFS Joint Venture ("EFS JV") announced at the EGM on 31 August is in the final stages of being documented and the first well, Quintanilla SMEF #1H was spudded on 16 October 2012.

The well is the first under the EFS JV and is being operated by Texoz E&P I inc, a US subsidiary of the Company. The well is expected to take approximately 25 days to reach its total depth of 16,000 ft after drilling 5,000 ft of horizontal section. The well will then be cased, fraced in 18 stages and connected for production. Texon will have a 48% WI in the well.

The location of the well is indicated on the *map attached* to this release.

Clifford S. Foss, President & CEO of Texon Petroleum, commented:

"Texon is pleased to announce the commencement of the first well (Quintanilla SM EF #1H) in the previously noted Eagle Ford Shale Joint Venture which is operated by Texon. The additional JV acreage brings Texon's gross Eagle Ford acreage to 9,470 acres (ca. 7,400 WI acres) which creates new value for the Company by allowing some of our smaller tracts to become more viable drill sites for future wells.

We look forward to a prosperous relationship with our new partners to develop these valuable assets."

Eagle Ford #7

Texon's seventh Eagle Ford well, the Hoskins EFS #3H, (a lease commitment well) is scheduled to spud by the end of October. Texon will have a 95% WI in the well.

The well is being operated by Texoz E&P I inc and is expected to take approximately 25 days to reach its total depth of 16,900 ft after drilling 5,300 ft of horizontal section. The well will then be cased, fraced in 18 stages and connected for production.

Please see *attached map*.

Peeler EFS #1H – 60 day result

Texon advises that its fifth Eagle Ford well, the Peeler EFS #1H, has produced 26,843 bo and 39,856 mcfg (33,486 boe) over its first 60 days. This represents an average daily rate of 558 boepd. Texon has an 89.2% WI in this well.

Mosman-Rockingham Olmos

The Wheeler #1 well is currently producing about 45 bopd. A rod pumping unit is being installed and production after the pump is installed is expected to be about 70 bopd.

Roundhouse leases

We refer to the Company's announcement 27 September which advised the acquisition of 3,519 net acres in Navarro County, Texas in a joint venture with Tanos Energy Holding LLC. In line with industry practise costs will be disclosed following the completion of leasing program in the area. However, the cost paid was consistent with the general cost of leases in the area.

-ends

Current oil and gas futures prices:

Source: NYMEX November 2012

Oil: US\$88.30/bbl

Gas: US\$3.44mmbtu (this translates to approx. US\$5.70/mcf for all Texon gas – including US\$6.50/mcf for Olmos and Eagle Ford gas)

Glossary:

bbl: barrel

bo: barrels of oil

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)

ft: feet

mcf: thousand cubic feet

mcfg: thousand cubic feet of gas

mmbtu: million British thermal units

WI: Working Interest

