

25 February 2013

Demerger Scheme Meeting – Chairman's presentation

I would now like to provide some information about the Demerger Scheme.

Texon has transferred all its non EFS assets into its current subsidiary company, Talon Petroleum Limited. The purpose of the Demerger Scheme is to separate Talon from the broader Texon group and to separately list it on the ASX as an independent entity. Talon will be an exploration and appraisal focused oil and gas company, with a portfolio that includes a mix of production, development, appraisal and exploration assets. Talon will continue to seek to participate in low risk oil prospects, located in mature, well serviced areas that can readily be commercialised. The current Texon Board and management will transfer to Talon.

Under the Demerger Scheme, Texon Shareholders will not receive a cash payment but will receive two ordinary shares in Talon for every five Texon ordinary shares they hold on the Demerger Record Date which will be 6:00pm on Wednesday, 6 March 2013.

In order to account for the issue of the new Talon shares that Texon will be transferring to its shareholders under the Demerger Scheme if it proceeds, Texon needs to undertake a reduction of capital. The capital reduction is the subject of a separate resolution which will be put to shareholders for approval at the General Meeting to be held later today.

The resolution to approve the Scheme of Arrangement under which Sundance Energy Australia Limited will acquire all of the shares in Texon, which we will refer to as the Acquisition Scheme, will be put to Texon shareholders at the second of the three meetings today. The Acquisition Scheme is conditional upon the implementation of the Demerger Scheme. However, if the Demerger Scheme Resolution is passed, the Demerger Scheme will proceed even if the Acquisition Scheme does not.

In regards to its ASX listing Talon has applied to the ASX for the admission to the official list of ASX and for the official quotation of all of Talon shares on the ASX. The application is conditional upon the Demerger Scheme becoming effective. We have received approval from the ASX for the admission of Talon to the official list and quotation of Talon shares subject to conditions including:

- Texon shareholders passing the Demerger Scheme Resolution;
- Lodgment of the court orders approving the Demerger Scheme with the Australian Securities and Investments Commission;
- Talon confirming that certain agreements including the Demerger Deed and Demerger Scheme Deed Poll remain in force and effect; and
- ASX being satisfied that Talon will have an appropriate spread of shareholders.

Texon's Board of Directors has unanimously recommended that shareholders vote in favour of the Demerger Scheme, in the absence of a superior proposal. To date, no alternative proposal has been received.

The reasons for the Board's recommendation are set out in full in the Demerger Scheme Booklet, but in summary, the Board's reasons include:

- The separation of Texon's non-Eagle Ford Shale assets from its Eagle Ford Shale assets has the potential to unlock value in the company's non-EFS holdings;
- Whilst the Demerger Scheme is not conditional upon the Acquisition Scheme and can proceed independently, if the Demerger Scheme is not approved, the Acquisition Scheme cannot proceed and so Texon shareholders would not receive the Acquisition Scheme consideration of one new share in Sundance Energy Australia Limited for every two Texon shares under the Acquisition Scheme;
- (iii) Talon has the potential to deliver value for Texon shareholders not currently reflected in the Texon share price;
- (iv) The Independent Expert has concluded that the Demerger Scheme is in the best interests of Texon shareholders; and
- (v) The Demerger Scheme gives investors greater choice regarding the level of

exposure they wish to have to the Texon and Talon businesses.

Those are some of the reasons you may choose to vote in favour of the Demerger Scheme. However, Directors acknowledge that there are potential reasons why Texon Shareholders may choose to vote against the Demerger Scheme. Those reasons are set out in full in the Demerger Scheme Booklet. In brief, they include the following:

- (a) Talon will, in comparison to Texon prior to the Demerger, be a much smaller company initially with production from only two wells and focused mostly on new projects;
- (b) Talon will no longer have the financial capacity of Texon;
- (c) the size and diversification of both Texon and Talon will be reduced;
- (d) Talon could in due course need to access new funding and to raise new capital, including from its shareholders, after Talon is listed on the ASX; and
- (e) The implementation of the Demerger will result in additional ongoing costs for Talon.

Directors continue to believe that the expected advantages of the Demerger Scheme outweigh the Demerger Scheme's potential disadvantages and, accordingly, we maintain our previously stated recommendation that the Demerger Scheme is in the best interests of Shareholders.

Each Director intends to vote at the meeting in favour of the Demerger Scheme Resolution in relation to the Texon ordinary shares held or controlled by them.

The Demerger Scheme is now principally conditional on the following occurring:

- Texon shareholders passing the resolution proposed at this meeting to approve the Demerger Scheme Resolution;
- Texon shareholders passing the resolution to approve the Capital Reduction at the General Meeting to be held later today ; and
- the Federal Court approving the Demerger Scheme at the Second Court Hearing scheduled for this Wednesday, 27 February 2013.

If that Court approval is obtained, the Demerger Scheme is then expected to be implemented in accordance with the timetable set out in the Demerger Scheme Booklet, which currently remains unchanged. This means that:

- the last day of trading in Texon shares on the ASX with an entitlement to participate in the Demerger Scheme is this Wednesday 27 February 2013. This means that any purchasers of Texon shares from the commencement of trading on 28 February 2013 will not be entitled to participate in the Demerger Scheme;
- the commencement of trading on the ASX of Talon shares transferred under the Demerger Scheme on a deferred settlement basis is this Thursday 28 February 2013;
- the Record Date for determining entitlements under the Demerger and to Talon shares will be 6.00pm on 6 March 2013. In other words, you will need to have retained your Texon shares until 6 March 2013 to be entitled to participate in the Demerger and receive Talon shares; and
- the date for implementation of capital reduction and transfer of Talon shares to eligible Texon shareholders is Thursday 7 March 2013.

However, if the Acquisition Scheme also gets approved this will mean that Texon shares will be suspended from close of trading on 27 February 2013. The timetable will otherwise be the same as I just outlined such that:

- The commencement of trading on the ASX of Talon shares transferred under the Demerger Scheme on a deferred settlement basis is Thursday 28 February 2013;
- the Record Date for determining entitlements under the Demerger and to Talon shares is 6.00pm on 6 March 2013; and
- the date for implementation of the capital reduction and the transfer of Talon shares to eligible Texon shareholders is Thursday 7 March 2013.

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