



ABN 24 119 737 772

ASX Release
4 March 2011

Texon launches Share Purchase Plan

Texon Petroleum Ltd announces that its Share Purchase Plan (SPP) has opened for eligible shareholders in Australia and New Zealand to subscribe for up to \$15,000 worth of shares in the Company at an issue price of 65 cents. The offer will close at 5PM (Brisbane time) on Wednesday 6 April 2011. The issue price is the same as the recent successful placement to sophisticated and institutional investors which raised \$15.7m and represents a discount of 14.7% to the average of the closing prices of Texon's shares over the last five trading days before the announcement made on 23 February 2011. RBS Morgans is the lead manager for the SPP and is underwriting the offer up to \$10.5m.

The record date for the SPP was Tuesday 22 February 2011.

The offer which is attached to this release will be mailed on Monday 7 March 2011 to shareholders who were on the share register at 7PM Brisbane time, Tuesday 22 February 2011, and contains the relevant information that shareholders should consider including details on how to apply.

The funds from the SPP together with the \$15.7m placement funds will be used to fund the following work programme:

Work Programme

The funds will primarily be used to drill, frac and test a fourth Eagle Ford well. The Company's third Eagle Ford well will be funded from existing cash and cashflow. These wells are scheduled for drilling in May and June and fracing and testing in July. The raising will also fund the acquisition of 1,140 acres of Eagle Ford prospective leases near the Company's Leighton/Mosman/Rockingham/Sutton ("LMRS") leases (refer Company release dated 23 February 2011) as well as 3D seismic over these new leases.

The funds will be used to frac and test one and possibly two existing vertical wells on the LMRS where the Eagle Ford is present.

Also, it is planned to drill and test the Wilcox oil shows referred to in the Company's release of 21 February 2011 in two vertical wells, one in the Leighton area and one on Mosman.

The Company has embarked on an Expanded Mapping Project to more comprehensively investigate the 180 3D seismic surveys for prospects for drilling in 2012.

In addition to the above projects the Company plans, from existing cash and cashflow during 2011, to:

- Frac and test its second Eagle Ford well in March;
- Prepare and adopt a plan to monetize and develop its Eagle Ford lease holdings;
- Drill seven (7) Leighton Olmos development wells;
- Conduct 3D seismic over its Mosman-Rockingham leases to enable more thorough mapping of the Eagle Ford Olmos, Wilcox and Pearsall targets;
- Drill the Coolangatta and Scarborough prospects in Q2 and Q3 respectively. These projects have a combined upside potential of 34 mmboe as to the Company's Working Interest.

Further details can be found in the offer document.

-ENDS-

For further information, please contact:

Dr John Armstrong

Chairman

Brisbane: 07 3211 1122

Or

Mr David Mason

Chief Executive Officer

Brisbane: 07 3211 1122

Houston: +1 281 419 4976 (Houston is 16 hours behind Aust Eastern Standard time)

Glossary:

mmboe: million barrels of oil equivalent



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Share Purchase Plan

**Share Purchase Plan Booklet
Texon Petroleum Ltd**

4 March 2011

Lead Manager & Underwriter to the SPP

 **RBS Morgans**

This document has been prepared by Texon Petroleum Ltd (ABN 24 119 737 772) ("**Texon**"). The Share Purchase Plan ("**SPP**") is an initiative that provides eligible shareholders with the opportunity to purchase additional Texon shares at a discount and without brokerage and transaction costs. This document does not provide financial advice and has been prepared without taking into account your particular objectives, financial situation or needs. You should consider the appropriateness of participating in the SPP having regard to your objectives, financial situation and needs. You should also consider obtaining independent advice before making any financial decisions.

Questions relating to the SPP can be directed to Texon's share registry, Computershare Investor Service Pty Limited on 1300 552 270 (within Australia) or +61 3 9415 4000 (outside Australia), or to your broker or financial or other professional adviser.

KEY DATES

Record Date	5:00pm (Brisbane time), Tuesday 22 February 2011
Offer opens	Friday 4 March 2011
Closing Date Payments must be received by the Registry no later than 5.00pm (Brisbane time)	5:00pm (Brisbane time), Wednesday 6 April 2011
Allotment of new shares	Wednesday 13 April 2011
Despatch of holding statements/confirmation advices	Thursday 14 April 2011

* Texon has the absolute discretion to vary these dates by making an announcement to the ASX.

OFFER DETAILS

Issue Price	A\$0.65 per share
Minimum Application Amount	A\$2,000*
Maximum Application Amount	A\$15,000*
Permitted Application Amounts	Multiples of A\$1,000 between A\$2,000 and A\$15,000.

* Texon reserves the absolute discretion to scale back applications.

IMPORTANT INFORMATION FOR SHAREHOLDERS OUTSIDE OF AUSTRALIA OR NEW ZEALAND

Texon has determined that it is not practical for shareholders with registered addresses outside Australia and New Zealand to participate in the SPP.

This document does not constitute an offer of securities in any place outside Australia or New Zealand. In particular, this document is not an offer of securities for sale in the "United States" or to any person who is, or who is acting for the account or benefit of, "U.S. persons" (as defined in Regulation S under the U.S. Securities Act of 1933 as amended ("**Securities Act**"). The new Texon shares to be issued under the SPP have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States.

Because of these legal restrictions, you must not send copies of the SPP Terms and Conditions or any other material relating to the SPP to any person resident in the United States or who is, or is acting for the account or benefit of "U.S. persons".



ABN 24 119 737 772

4 March 2011

Dear Shareholder,

Invitation to participate in Texon Petroleum's Share Purchase Plan

On behalf of the Board of Texon Petroleum Ltd (**Texon**), I am pleased to invite you to participate in Texon's Share Purchase Plan (**SPP**). We are undertaking this SPP to enable retail investors to participate in the capital raising activities of the Company.

The offer follows the Company's recent placement of 24.2m shares to institutional and sophisticated investors at the same issue price of A\$0.65 per share which raised A\$15.7 million as announced to the ASX on 23 February 2011 (**Placement**). The funds from the Placement together with funds from the SPP, will allow the Company to complete the work program outlined below.

The offer is made to eligible shareholders who may subscribe for between A\$2,000 and A\$15,000 of new shares in Texon at an offer price of A\$0.65 which is a discount of 14.7% to the average price of shares traded in the five days from Tuesday 15 February to Monday 21 February 2011. The offer is made to shareholders who were registered on the share register at 5PM (AEST) on 22 February 2011. The Board of Texon reserves the right, in its absolute discretion, to scale back applications and in that event excess funds will be returned to shareholders. Subject to obtaining shareholder approval of the Placement under ASX Listing Rule 7.1, the offer will be underwritten by RBS Morgans to the extent of A\$10,497,500.

Work Program

You will be aware that the Company has recently drilled two Eagle Ford horizontal wells. The first well, which was drilled in the Leighton field was successful and connected to production in December 2010 after initially flowing at 1,267 boepd (barrels of oil equivalent per day). The 30 and 60 day flows were 716 boepd and 632 boepd respectively. The second Eagle Ford horizontal well, drilled on the Mosman Rockingham lease reached its target depth in December. At the date of writing the well is being fraced and will then be tested and connected for production.

The Company plans to drill two further Eagle Ford wells. The third well will be funded from existing cash flow and the fourth will be funded from the recent placement of shares and this SPP. These wells are scheduled for drilling in May and June, and fracing and testing in August. We remain confident that all four wells will be successful and increase the production, revenue and reserves of the Company.

The raising will also fund the acquisition of 1,140 acres of prospective leases near the Company's Leighton/Mosman/Rockingham/Sutton (**LMRS**) leases as well as 3D seismic over these new leases. The funds will also be applied to frac and test one and possibly two existing vertical wells on the LMRS where the Eagle Ford is present.

Also it is planned to drill and test the Wilcox oil shows referred to in the Company's release of 21 February 2011 in two vertical wells, one in the Leighton area and one on Mosman.

The Company has embarked on an Expanded Mapping Project to more comprehensively investigate the 180 3D seismic surveys for prospects for drilling in 2012.

In addition to the above projects the Company plans, from existing cash and cashflow during 2011, to:

- Frac and test its second Eagle Ford well in March;
- Prepare and adopt a plan to monetize and develop its Eagle Ford lease holdings;
- Drill seven (7) Leighton Olmos development wells;
- Conduct 3D seismic over its Mosman-Rockingham leases to enable more thorough mapping of the Eagle Ford Olmos, Wilcox and Pearsall targets;
- Drill the Coolangatta and Scarborough prospects in Q2 and Q3 respectively. These projects have a combined upside potential of 34 mmbob as to the Company's Working Interest.

The coming months will be an important time for Texon when successful project outcomes could see an increase in the value of the Company.

Please refer to Texon's website for announcements by the Company: www.texonpetroleum.com.au

Offer details

- The offer price is A\$0.65 per share;
- No brokerage or participation costs are payable by shareholders who take up shares under the SPP;
- Shareholders may choose to apply for parcels of shares worth between A\$2,000 and the maximum application amount of A\$15,000 in multiples of \$1,000; and
- The SPP will be underwritten by RBS Morgans to the extent of A\$10,497,500. The underwriting is conditional on obtaining shareholder approval of the Company's recent Placement under ASX Listing Rule 7.1.

Director support

ASX Listing Rule 10.12 permits all directors who are otherwise eligible to participate in the SPP up to a maximum amount of A\$15,000 without requiring shareholder approval. All of the directors of Texon support the offer.

How to participate

Participation in the SPP is optional and open to Texon shareholders who, at 5.00 pm (Brisbane time) on Thursday 22 February 2011, were shareholders with a registered address in Australia or New Zealand.

The SPP will open on Friday 4 March 2011 and will remain open until 5:00pm (Brisbane time) on Wednesday 6 April 2011.

If you would like to participate, you should either:

- (a) return your completed Application Form, together with a cheque; or
- (b) pay the Application Amount using BPAY,

so that it is received by no later than **5:00pm (Brisbane time) on Wednesday 6 April 2011**.

If you use BPAY to pay for the shares under the Offer, you do not need to return your Application Form.

The Offer is non-renounceable, which means that you cannot transfer your right to purchase shares under the SPP to anyone else.

Full details of the SPP and how to participate in the SPP are set out in this Share Purchase Plan Booklet which I encourage you to read carefully. Your personalised Application Form will be posted to you with this booklet.

Please note that the Offer does not take into account the individual investment objectives, financial situation or particular needs of shareholders. You may want to obtain independent financial and taxation advice before making a decision as to whether or not you participate in the SPP.

If you have any questions in relation to the SPP or how to complete the Application Form, please call Texon's share registry, Computershare Investor Services Pty Limited, at any time between 8:30am to 5:30pm (AEST) Monday to Friday on 1300 552 270 (within Australia) or +61 3 9415 4000 outside Australia.

Yours sincerely

A handwritten signature in black ink, appearing to read 'John Armstrong', written in a cursive style.

John Armstrong
Chairman

Frequently Asked Questions

1 *What is a Share Purchase Plan ("SPP")?*

A SPP is a way in which eligible shareholders may purchase additional ordinary shares in Texon Petroleum Ltd ("**Texon**") at an issue price of A\$0.65 per share and without brokerage and other transaction costs.

The offer of shares under the SPP is in accordance with the Australian Securities and Investment Commission ("**ASIC**") Class Order CO 09/425 granted by ASIC on 18 June 2009 as amended by Class Order CO 10/789. The instrument grants relief from the requirement to prepare a prospectus for the offer of new shares under the SPP to eligible shareholders up to a maximum investment of A\$15,000.

2 *Why is Texon issuing more shares?*

Funds raised from the SPP will, together with funds raised from the recent placement, be primarily used to drill, frac and test a fourth Eagle Ford well. The Company's first Eagle Ford well is producing, the second was drilled in December 2010 and will be fraced in the first week of March. The third Eagle Ford well will be funded from existing cash flow.

The raising will also fund the acquisition of 1,140 acres of Eagle Ford prospective leases near the Company's Leighton/Mosman/Rockingham/Sutton leases as well as 3D seismic over these new leases.

In addition, the funds will be used to frac and test one and possibly two existing vertical wells on the LMRS where the Eagle Ford is present.

Also, it is planned to drill and test the Wilcox oil shows referred to in the Company's release of 21st February 2011 in two vertical wells, one in the Leighton area and one on Mosman.

3 *What is the record date to participate in the SPP?*

Shareholders appearing in the register as registered holders of fully paid ordinary shares of Texon at 5.00pm (Brisbane time) on Tuesday 22 February 2011, with a registered address in Australia or New Zealand are eligible to participate in the SPP subject to these Terms and Conditions ("**Eligible Shareholders**"). However, Shareholders with a registered address in Australia or New Zealand who hold shares on behalf of another person who resides outside Australia or New Zealand are not entitled to participate in the SPP.

Shareholders who are Eligible Shareholders and are also custodians for the purposes of ASIC Class Order CO 09/425 may acquire shares on behalf of beneficiaries on whose behalf they hold shares.

However, custodians which hold Texon shares on behalf of another person who resides outside Australia or New Zealand are not entitled to participate in the SPP on behalf of those persons.

- 4 *Do I have to participate in the SPP?* No. Participation is optional. Before you apply for shares under the SPP, we suggest you seek independent advice from your broker or financial or other professional adviser. You can also monitor Texon's share price, which is quoted in the financial pages of major Australian newspapers, and at www.asx.com.au under the code TXN. If you do not participate, you will retain your existing holding of shares.
- 5 *How much can I invest under the SPP?* The maximum investment per shareholder under the SPP is A\$15,000. The total application price for the shares acquired by Eligible Shareholders on their own behalf and by a custodian on their behalf in any 12 month period must not exceed A\$15,000. This limitation is imposed by ASIC Class Order CO 09/425.
- You may only apply for a parcel of shares with a total value of A\$2,000 (the Minimum Application Amount) or in a multiple of A\$1,000 up to A\$15,000 (the Maximum Application Amount). Texon reserves the right, in its absolute discretion, to scale back applications under the SPP to a level that it considers reasonable for its requirements, having regard to the ASX Listing Rules.
- 6 *What is the issue price?* A\$0.65 per share. The issue price is set at the same price as the recent placement of shares by Texon to sophisticated and institutional investors and represents a discount of 14.7% to the average market price of Texon's ordinary shares for the last 5 days on which sales in the securities were recorded before 23 February 2011, being the day on which the issue was announced. 'Market price' has the same meaning as in the ASX Listing Rules.
- 7 *What risks are associated with investing under the SPP?* The market price at which Texon's shares trade on the ASX between the date of this offer and the date shares are allotted to participating shareholders may rise or fall. Therefore, the issue price of shares under the SPP may exceed or be less than the market price of Texon's shares at the time of allotment to participating shareholders.
- You can monitor Texon's share price, which is quoted in the financial pages of major Australian newspapers, and at www.asx.com.au under the code TXN.
- 8 *Can my offer under the SPP be transferred to a third party?* No. The offer is non-renounceable and cannot be transferred.

9 *What do I do if I receive more than one Application Form?*

If you receive more than one Application Form or if you hold shares in more than one capacity, for example, if you are both a sole and a joint holder of shares, the maximum amount you may apply to invest under the SPP in any 12 month period is A\$15,000. This limitation is imposed by ASIC.

Single holders – If you are the only registered holder of a parcel of shares but you receive more than one offer under the SPP, you may only apply for one maximum parcel of shares of A\$15,000.

Joint holders – If you are a joint holder of a parcel of shares, that joint holding is considered to be a single registered holding for the purpose of the SPP and the joint holders are entitled to participate in the SPP in respect of that single holding only. If the same joint holders receive more than one offer under the SPP, the joint holders may only apply for one maximum parcel of shares of A\$15,000.

However, if you are a shareholder who is expressly recorded in the register as holding shares as trustee or nominee for one or more named persons (each a “**beneficiary**”), each named beneficiary is taken to be an Eligible Shareholder for the purposes of the SPP. Each such beneficiary may make an application through the nominee to participate in the SPP. By applying to purchase shares under the SPP as a nominee, you certify that you have not exceeded this limit of A\$15,000 in respect of each beneficiary.

10 *How many shares will I acquire if I accept the offer under the SPP?*

The number of shares that you will receive under the SPP will be equal to the value of the parcel of shares you have applied for (i.e. a minimum of A\$2,000 or in a multiple of A\$1,000 up to A\$15,000) divided by the issue price, subject to Texon undertaking a scale back. See question 11 below for further details on the scale back.

If the parcel of shares does not equal a whole number of shares when the issue price has been determined, the value of the shares issued to you will be rounded down to the nearest share. Amounts of less than A\$1.00 will not be refunded to you. For example, if you applied for a parcel of A\$15,000, at an issue price of A\$0.65 you will receive 23,076 new shares which results in an overpayment of A\$0.60. Texon reserves the right, in its absolute discretion, to scale back applications under the SPP to a level that it considers reasonable for its requirements, having regard to the ASX Listing Rules.

11 *What is a scale back?*

A scale back is a reduction in the allotments of shares under the SPP (compared to the parcels applied for) that Texon may undertake at its discretion. Texon reserves the right, in its absolute discretion, to scale back applications under the SPP to a level that it considers reasonable for its requirements having regard to the ASX Listing Rules. If a scale back applies, excess application moneys will be refunded to shareholders without interest. Decisions made about scaling back by the Board of Texon are final.

- 12 *What are the rights attached to shares acquired under the SPP?* New shares acquired under the SPP will rank equally with existing shares in all respects and will have the same entitlements for voting, dividends and other entitlements. When the SPP offer closes, Texon will promptly apply to the ASX for quotation of the shares on the Official List and send an Allotment Notice to the Eligible Shareholders' registered address.
- 13 *How long is the offer period?* The offer period is from Friday 4 March 2011 to 5.00pm (Brisbane time) on Wednesday 6 April 2011. Therefore, if you wish to apply for any shares under the SPP, you should complete the enclosed Application Form and forward it with your cheque or money order, or make a BPAY payment, so that it is received by Computershare Investor Services Pty Limited ("**Computershare**") before 5.00pm (Brisbane time) on Wednesday 6 April 2011.
- 14 *How do I apply for shares under the SPP?* You can choose to pay for a parcel of shares under the SPP by BPAY, cheque or money order.
- If you wish to participate in the SPP using the BPAY facility, follow the BPAY instructions in the enclosed Application Form and ensure that your payment is received prior to the close of the offer at 5.00pm (Brisbane time) on Wednesday 6 April 2011.
- Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment, and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that all application monies submitted through BPAY are received by 5.00pm (Brisbane time) on Wednesday 6 April 2011.
- If you wish to participate in the SPP and pay by cheque or money order, simply:
- complete the enclosed Application Form;
 - make your cheque or money order payable to "Texon Petroleum Ltd SPP Offer Account"; and
- send the Application Form with a cheque or money order in the enclosed business reply envelope so that it is received prior to the close of the offer at 5.00pm (Brisbane time) on Wednesday 6 April 2011 at Computershare Investor Services Pty Limited, GPO Box 5240 Brisbane Australia, 4001. Texon reserves the right not to accept Application Forms received after this time.
- Once you have sent in your Application Form or made a BPAY payment, you will not be able to withdraw, revoke or change your application. Texon or its agents will not re-present any dishonoured cheques.

- 15 *When will I receive my shares under the SPP?* Shares acquired under the SPP will be allotted on or about 13 April 2011 and quoted on the ASX on or about 15 April 2011.
- 16 *Where can I get more information on the SPP?* If you have any questions, please contact us through Computershare:
Telephone: 1300 552 270 (toll free within Australia)
+61 3 9415 4000 (outside Australia)
Website: www.texonpetroleum.com.au
- 17 *What about privacy?* Computershare Investor Services Pty Limited advises that Chapter 2C of the *Corporations Act 2001* (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity with which you hold shares. This information must continue to be included in the public register if you cease to be a shareholder. The *Privacy Amendment (Private Sector) Act 2000* (Cth) does not alter these statutory obligations.
- Information is collected to administer your shareholding and if some or all of the information is not collected then it might not be possible to administer your shareholding. Computershare's privacy policy is available on their website (www.computershare.com.au).
- 18 *Will any fees be payable to brokers in connection with the offer?* A stamping fee equal to 1.5% of the application amount (plus GST) of new shares issued under the SPP ("**Broker Stamping Fee**") will be paid by Texon to stockbrokers (being those entities recognised as full service brokers or non-advisory brokers by ASX) who submit a valid claim for a broker stamping fee on successful applications.
- If Texon undertakes a scale back, the Broker Stamping Fee will be payable on the value of the shares issued.
- 19 *Is the offer being underwritten?* Yes. Texon has entered into an Underwriting Agreement with RBS Morgans. The Underwriting Agreement contains conventional representations and warranties, underwriters exit provisions, including a market movement exit clause of 10%. RBS Morgans has agreed to underwrite the SPP up to a maximum of A\$10,497,500. Therefore, subject to obtaining shareholder approval of the Company's recent Placement under ASX Listing Rule 7.1, if Eligible Shareholders subscribe for an amount less than A\$10,497,500, any shortfall up to the value of A\$10,497,500 will be subscribed for by RBS Morgans in accordance with the terms of the Underwriting Agreement. If Eligible Shareholders subscribe for an amount over A\$10,497,500, RBS Morgans will not be required to subscribe for any shares under the SPP.

The underwriting by RBS Morgans is conditional upon Texon obtaining retrospective shareholder approval for the issue of 24,166,681 shares to sophisticated and institutional investors (announced to the ASX on 23 February 2011) in accordance with the 15% rule under ASX Listing Rule 7.1. An Extraordinary General Meeting has been scheduled for 12 April 2011 to seek such shareholder approval. The results of that meeting will be announced to the ASX as soon as practical after the meeting. ASX Listing Rule 7.1 permits an entity to issue new securities up to a maximum of 15% of the issued capital of the entity without obtaining shareholder approval. As a result, the shareholder approval of the placement will refresh the 15% rule, enabling new shares of up to 15% of Texon's issued capital to be issued to the underwriter (if necessary) without obtaining shareholder approval.

Texon Petroleum Ltd Share Purchase Plan Terms and Conditions

Shareholders will be bound by the constitution of Texon Petroleum Ltd ("**Texon**") and these Terms and Conditions by applying for shares under the Share Purchase Plan ("**SPP**").

The offer of shares under the SPP is in accordance with Australian Securities and Investment Commission ("**ASIC**") Class Order CO 09/425 granted by ASIC on 18 June 2009 as amended by Class Order CO 10/789. The instrument grants relief from the requirement to prepare a prospectus for the offer of new shares under the SPP to eligible shareholders up to a maximum investment of A\$15,000.

Participation

Shareholders appearing in the share register as registered holders of fully paid ordinary shares of Texon at 5.00pm (Brisbane time) on Tuesday 22 February 2011 with a registered address in Australia or New Zealand will be eligible to participate in the SPP unless they hold Texon shares on behalf of another person who resides outside Australia or New Zealand ("**Eligible Shareholder**"). In particular, this document is not an offer of Securities for sale in the "United States" or to any person who is, or who is acting for the account or benefit of, "U.S. persons" (as defined in Regulation S under the U.S. Securities Act of 1933 as amended ("**Securities Act**"). The new Texon shares to be issued under the SPP have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States.

Shareholders who are Eligible Shareholders and are also custodians for the purposes of ASIC Class Order CO 09/425 ("**Custodian**") may acquire shares on behalf of beneficiaries on whose behalf they hold shares. However, Custodians which hold Texon shares on behalf of another person residing outside Australia or New Zealand are not entitled to participate in the SPP.

If you are eligible to participate in the SPP, you may apply for a parcel of shares with a minimum value of A\$2,000 or in additional multiples of A\$1,000 up to A\$15,000. The total application price for the shares acquired by Eligible Shareholders on their own behalf and by a Custodian on their behalf in any 12 month period must not exceed A\$15,000. This limitation is imposed by ASIC Class Order CO 09/425.

If you apply to participate in the SPP by completing and returning the Application Form or by making a BPAY payment:

- you certify to Texon that you are an Eligible Shareholder (i.e., your name appears in the share register as registered holder of fully paid ordinary shares of Texon at 5.00pm (Brisbane time) on Tuesday 22 February 2011 with a registered address in Australia or New Zealand) and you do not hold Texon shares on behalf of another person who resides outside Australia or New Zealand;
- you certify to Texon that the total application price for the following does not exceed A\$15,000:
 - the shares the subject of the application under the SPP;

- any other shares in the class issued to you under the SPP or any similar arrangement in the 12 months before the application;
- any other shares in the class which you have instructed a Custodian to acquire on your behalf under the SPP; and
- any other shares in the class issued to a Custodian under an arrangement similar to the SPP in the 12 months before the application as a result of instruction given by you to the Custodian or another custodian and which resulted in you obtaining a beneficial interest in the shares.
- you authorise Texon (and its officers and agents) to correct any error in, or omission from, your Application Form and to complete the Application Form by the insertion of any missing details;
- you accept the risks associated with any refund that may be despatched to your address or to your nominated bank account as shown on Texon's share register;
- you acknowledge that Texon may at any time irrevocably determine that your Application Form is valid, in accordance with these Terms and Conditions, even if the Application Form is incomplete, contains errors or is otherwise defective;
- you irrevocably and unconditionally agree to these Terms and Conditions; and
- you acknowledge that Texon is not liable for any exercise of its discretions referred to in these Terms and Conditions.

In order for an Eligible Shareholder to apply for securities under the SPP, the Custodian applying for securities on behalf of an Eligible Shareholder must provide Texon a certificate stating ("**Custodian Certificate**"):

(a) either or both of the following:

- (i) that the Custodian holds ordinary shares on behalf of one or more Eligible Shareholders that are not Custodians;
- (ii) that another Custodian ("**downstream custodian**") holds beneficial interests in ordinary shares on behalf of one or more Eligible Shareholders, and the Custodian holds the shares to which those beneficial interests relate on behalf of the downstream custodian or another custodian,

on the Record Date and that each Eligible Shareholder participating in the SPP has subsequently instructed:

- (iii) where paragraph (a)(i) applies – the Custodian; and
- (iv) where paragraph (a)(ii) applies – the downstream custodian,

to apply for shares or interests on their behalf under the SPP ("**Participating Beneficiary**");

(b) the number of Participating Beneficiaries;

(c) the name and address of Participating Beneficiary;

(d) in respect of each Participating Beneficiary where paragraph (a)(i) applies:

- (i) the number of ordinary shares that the Custodian holds on their behalf; and

- (ii) the number or the dollar amount of shares they instructed the Custodian to apply for on their behalf;
- (e) in respect of each Participating Beneficiary where paragraph (a)(ii) applies:
 - (i) the number of ordinary shares to which the beneficial interests relate; and
 - (ii) the number or dollar amount of ordinary shares they instructed the downstream Custodian to apply for on their behalf;
- (f) there is no Participating Beneficiary in respect of which the total of the application price for the following exceeds A\$15,000:
 - (i) the shares applied for by the Custodian under the SPP in accordance with the instructions referred to in paragraph (e) above; and
 - (ii) any other ordinary shares issued to the Custodian in the 12 months before the application as a result of an instruction given by them to the Custodian to apply for shares on their behalf under an arrangement similar to the SPP;
- (g) that a copy of the written offer document was given to each Participating Beneficiary ; and
- (h) where paragraph (a)(ii) applies - the name and address of each Custodian who holds beneficial interests in the ordinary shares held by the Custodian in relation to each Participating Beneficiary.

Price

The issue price of shares under the SPP is A\$0.65 per share. The issue price represents a discount of 14.7% to the average market price of Texon's ordinary shares for the last 5 days on which sales in the securities were recorded before 23 February 2011, being the day on which the issue was announced. "**Market price**" has the same meaning as in the ASX Listing Rules.

The market price at which Texon's shares trade on the ASX between the date of this offer and the date shares are allotted to participating shareholders may rise or fall. Therefore, the issue price of shares under the SPP may exceed or be less than the market price of Texon's shares at the time of allotment to participating shareholders.

Number of Shares

The number of shares that you will receive under the SPP will be equal to the value of the parcel of shares you have applied for (a minimum of A\$2,000 or in a multiple of A\$1,000 up to A\$15,000) divided by the issue price, subject to Texon undertaking a scale back. If the parcel of shares does not equal a whole number of shares when the issue price has been determined, the value of the shares issued to you will be rounded down to the nearest share. Amounts of less than A\$1.00 will not be refunded to you.

Texon reserves the right, in its absolute discretion, to scale back applications under the SPP to a level that it considers reasonable for its requirements, having regard to the ASX Listing Rules. If a scale back applies, excess application moneys will be refunded to shareholders without interest. Decisions made about scaling back by the Board of Texon are final.

Underwriting

Texon has entered into an Underwriting Agreement with RBS Morgans Corporate Limited ("**RBS Morgans**"). The Underwriting Agreement contains conventional representations and warranties, underwriters exit provisions, including a market movement exit clause of 10%. RBS Morgans has agreed to underwrite the SPP up to a maximum of A\$10,497,500. Therefore, subject to obtaining shareholder approval of the Company's recent Placement under ASX Listing Rule 7.1, if Eligible Shareholders subscribe for an amount less than A\$10,497,500, any shortfall up to the value of A\$10,497,500 will be subscribed for by RBS Morgans in accordance with the terms of the Underwriting Agreement. If Eligible Shareholders subscribe for an amount over A\$10,497,500, RBS Morgans will not be required to subscribe for any shares under the SPP.

The underwriting by RBS Morgans is conditional upon Texon obtaining retrospective shareholder approval for the issue of 24,166,681 shares to sophisticated and institutional investors (announced to the ASX on 23 February 2011) in accordance with the 15% rule under ASX Listing Rule 7.1. An Extraordinary General Meeting has been scheduled for 12 April 2011 to seek such shareholder approval. The results of that meeting will be announced to the ASX as soon as practical after the meeting. ASX Listing Rule 7.1 permits an entity to issue new securities up to a maximum of 15% of the issued capital of the entity without obtaining shareholder approval. As a result, the shareholder approval of the placement will refresh the 15% rule, enabling new shares of up to 15% of Texon's issued capital to be issued to the underwriter (if necessary) without obtaining shareholder approval.

Participation costs

No brokerage or other transaction costs will be payable by eligible shareholders who apply for shares under the SPP.

Broker fees

A stamping fee equal to 1.5% of the application amount (plus GST) of new shares issued under the SPP ("**Broker Stamping Fee**") will be paid by Texon to stockbrokers (being those entities recognised as full service brokers or non-advisory brokers by ASX) who submit a valid claim for a broker stamping fee on successful applications.

If Texon undertakes a scale back, the Broker Stamping Fee will be payable on the value of the shares issued.

Multiple and joint holdings

If you receive more than one Application Form or if you hold shares in more than one capacity, for example, if you are both a sole and a joint holder of shares, the maximum amount you may apply to invest under the SPP in any 12 month period is A\$15,000. This limitation is imposed by ASIC.

Single holders – If you are the only registered holder of a parcel of shares but you receive more than one offer under the SPP, you may only apply for one maximum parcel of shares of A\$15,000.

Joint holders – If you are a joint holder of a parcel of shares, that joint holding is considered to be a single registered holding for the purpose of the SPP and the joint holders are entitled to participate in the SPP in respect of that single holding only. If the same joint holders receive more than one offer under the SPP, the joint holders may only apply for one

maximum parcel of shares of A\$15,000.

For each shareholder who is expressly recorded in the share register as holding shares as trustee or nominee for one or more named persons (each a **"beneficiary"**), each such named beneficiary is taken to be an eligible shareholder for the purposes of the SPP. Each beneficiary may make an application through the trustee or nominee to participate in the SPP. For example, if ABC Pty Ltd makes an application on behalf of John Smith, then the application (including any certification in the application) is deemed to be made by John Smith. However, if ABC Pty Ltd does not make an application as a trustee or nominee for a named beneficiary, then the application will be received by ABC Pty Ltd and the rules for multiple individual holdings will apply, that is, it may only accept up to A\$15,000 worth of shares in total.

Applying for shares and closing date

Shareholders applying for shares under the SPP and paying using BPAY must follow the instructions in the enclosed Application Form and ensure payment is made prior to the close of the offer at 5.00pm (Brisbane time) on 6 April 2011.

Applicants should be aware that their own financial institution may implement earlier cut off times with regards to electronic payment and should therefore take this into consideration when making payment. It is the responsibility of the applicant to ensure that all Application Monies submitted through BPAY are received by 5.00pm (Brisbane time) on 6 April 2011.

Shareholders applying for shares under the SPP paying by cheque or money order must complete the enclosed Application Form and forward it with a cheque or money order payable to "Texon Petroleum Ltd SPP Offer Account" in the enclosed reply paid envelope so that it is received prior to the close of the offer at 5.00pm (Brisbane time) on 6 April 2011 at Computershare Investor Services Limited, GPO Box 5240 Brisbane Australia, 4001. Texon reserves the right not to accept Application Forms or BPAY payments received after 5.00pm (Brisbane time) on 6 April 2011.

Applications for less than A\$2,000 will be returned. If a cheque or money order for application moneys is dishonoured, or a BPAY payment is declined or not authorised, Texon reserves the right to not allot any shares to the shareholder, and/or to cancel any shares already allotted in consideration for such application moneys. Applications and payments under the SPP may not be withdrawn or cancelled once they have been received by Computershare Investor Services Ltd. Any moneys refunded will be refunded without interest.

Custodians

In accordance with the definition of "Custodians" in ASIC Class Order 09/425 and the other provisions of that Class Order relating to Custodians as defined, if you:

- hold an Australian financial services licence that:
 - covers the provision of a custodial or depository service; or
 - includes a condition requiring the holder to comply with ASIC Class Order 02/294; or
- are exempt under:
 - paragraph 7.6.01(1)(k) of the Corporations Regulations 2001 ("**Regulations**"); or

- paragraph 7.6.01(l)(na) of the Regulations;
- ASIC Class Order 05/1270 to the extent that it relates to ASIC Class Order 03/184;
- ASIC Class Orders 03/1099, 03/1100, 03/1101, 03/1102, 04/829 or 04/1313;
- an individual instrument of relief granted by ASIC to the person in terms similar to ASIC Class Orders 03/1099, 03/1100, 03/1101, 03/1102, 04/829 or 04/1313; or
- section 911A(2)(h) of the *Corporations Act 2001* (Cth),

from the requirement to hold an Australian financial services license for the provision of a custodial or depository service; or

- are a trustee of a:
 - self managed superannuation fund; or
 - superannuation master trust; or
- are the responsible entity of an IDPS-like scheme; or
- are the registered holder of shares or interests in the class and is noted on the register of members of the body or scheme (as the case may be) as holding the shares or interests on account of another person,

then you may apply for a maximum amount of \$15,000 of New Shares for each Participating Beneficiary, provided that you complete the Application Form and a Custodian Certificate, and submit them together with the Application Payment to Texon's share registry, Computershare Investor Services Pty Limited, before the Closing Date.

Please contact Texon's share registry to obtain the form of the Custodian Certificate which you are required to submit.

All other custodians and nominees

If you hold Texon Shares as trustee or nominee for another person but are not a Custodian as defined in ASIC Class Order 09/425, you cannot participate for beneficiaries in the manner described above. You may only apply for up to a maximum amount of \$15,000 of New Shares, regardless of the number of Participating Beneficiaries.

Issue of shares

Texon may allot fewer shares than an eligible shareholder applies for under the SPP (or none at all) if Texon considers that issuing those shares would breach any law or any ASX Listing Rule, or if Texon considers that any person holding shares directly as a registered holder, and/or directly or indirectly through one or more Custodians as beneficial owner, will otherwise receive, in aggregate, shares having a total subscription price of more than A\$15,000.

It is important to note that participation in the SPP is optional. The offer is also non-renounceable, therefore, shareholders cannot transfer their right to purchase shares under the SPP to a third party. New shares will rank equally with existing shares in all respects and will have the same entitlements for voting, dividends and other entitlements.

Shares under the SPP are anticipated to be quoted on the ASX on or about 15 April 2011. A

holding statement or allotment confirmation notice will be despatched to successful applicants on or about 14 April 2011.

Texon's rights

Texon reserves the right to reject any application for shares under the SPP which it believes does not comply with these Terms and Conditions.

Texon reserves the right to modify, suspend or cancel the SPP at any time. If Texon does this it will notify the ASX. If the offer is cancelled all application money will be refunded to shareholders without interest.

Texon reserves absolute discretion to scale back applications under the SPP to a level that it considers reasonable for its requirements, having regard to the ASX Listing Rules. If a scale back applies, excess applications moneys will be refunded to shareholders without interest. Decisions made about scaling back by the Board of Texon are final.

Texon may settle, in any manner it deems fit, any difficulties, anomalies or disputes which may arise in connection with, or by reason of, the operation of this SPP whether generally or in relation to any participant, application or shares, and their decision shall be conclusive and binding on all participants and other persons to whom the determination relates. Texon reserves the right to waive strict compliance with any provision of these Terms and Conditions. The powers of Texon under these Terms and Conditions may be exercised by its directors or any delegate of the directors.

The Frequently Asked Questions in this document form part of these Terms and Conditions.

These Terms and Conditions are governed by the laws in force in Queensland.