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## Activities Report for the Quarter Ended 30 June 2012

31 July 2012

### Highlights

- **Fast Tracks Mississippi Lime development in Northern Oklahoma**
  - **First Horizontal Mississippi Lime well in production**
    - **30 –day average 1,258 boe/day - AOK 13.76%**
  - **Operations team drilling 2 vertical wells per month**
    - **Four vertical production wells now in production**
    - **Four vertical production wells cased - waiting on completion**
    - **Drilling contract in place for to drill two vertical wells per month**
  - **2<sup>nd</sup> Production Hub established with SWD facilities completed**
- **Development delivers production growth**
  - **June monthly oil and gas production averaging 300 boe/day (July revenue)**
  - **Production to increase as new wells come on line each month**
  - **Oil and gas sales gross revenue \$US1.05m for quarter (\$790,000 net to AOK)**
- **AOK progressing work on Kansas Mississippi Lime acreage**
  - **Completes seismic review on 27,100 gross acres (17,000 net acres)**
  - **Multiple prospects identified – further exploratory drilling underway**
- **51-101 Independent Reserve Report completed**
  - **2P Reserves 5.9m Barrels of Oil Equivalent**
  - **Proved and Probable Net Reserves (2P) estimated with a 10% NPV at \$US158.4m (48 cents per share)**
- **Funding initiatives finalised**
  - **Shareholders approve 2<sup>nd</sup> Stage of Placement and Convertible Note Issue**
  - **\$7.2m Cash at Bank as at 30 June**

AusTex Oil Limited (AusTex or the Company) (ASX:AOK OTCQX:ATXDY) is an oil and gas exploration and production company with operations in Kansas and Oklahoma, in the mid-continent of the United States of America.

The Company operates leases in Oklahoma through its wholly owned subsidiary, International Energy Corporation (Oklahoma) (IEC-OK), with offices located at 1801 East 71<sup>st</sup> Street, Tulsa. In Kansas, AusTex is the major working interest partner with Castle Resources Inc., as operator. **AusTex holds interests in 26,000 net acres in the Mississippi Lime play with daily net production of 300 barrels of oil equivalent per day (BOE) (70% oil).**

## 1. Operations

### 1.1. Oklahoma

AusTex owns and operates a number of oil and gas leases in Oklahoma through its wholly owned subsidiaries, International Energy Corporation (Oklahoma) (IEC-OK) and International Energy Corporation (Northern Oklahoma).

#### 1.1.1. Snake River Project – 5,500 acres

**Northern Oklahoma**

**AOK 100% Working Interest (WI) ~80% Net Revenue Interest (NRI)**

The Snake River Project is located in Kay County, Northern Oklahoma, and east of the Nemaha Ridge. The centre of the project lies approximately 15 miles south west of Ponca City, where Conoco Philips operates an oil refinery. Mustang Gas Corporation operates an extensive gas gathering facility in the project area with gas sales lines within 1 mile of each production hub operated by AusTex. A compression and liquids stripping plant is within 1 mile of the south west boundary of the Snake River Project.

Range Resources Corporation (NYSE:RRC) (Range Resources) holds 152,000 net acres west and south of AusTex's oil and gas leases. AusTex participated with Range Production Company Inc., a subsidiary of Range Resources, in drilling the Balder #1-30N Horizontal Well, which commenced production during the quarter. The well was drilled on a 320 acre spacing which included a portion of AusTex's lease holdings. Range Resources has lodged application for increased density to 160 acre spacing for Horizontal Wells.

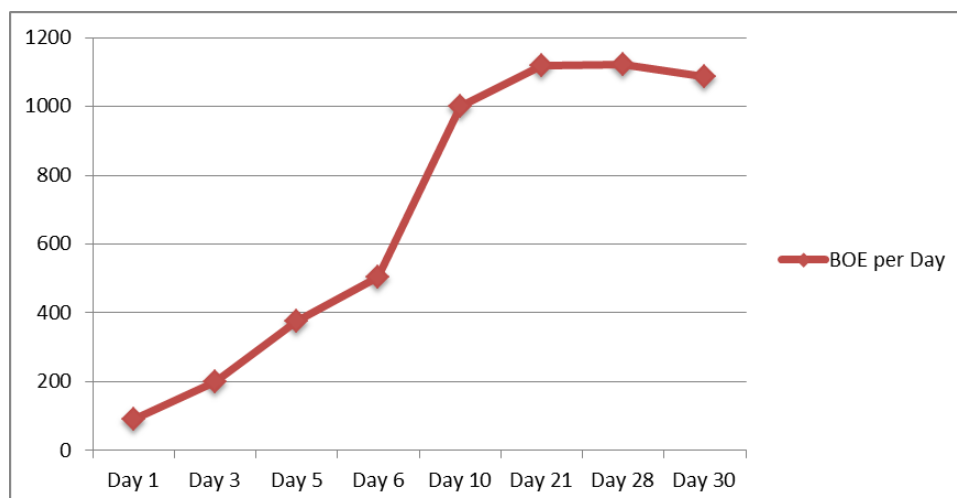
#### **Balder #1-30N Horizontal Well – First 1,000 boe/day plus well for Range Resources**

**AOK 13.73% WI 11.15% NRI**

The well is located on the western edge of the Snake River acreage and was drilled to a total measured depth of 8,952 feet, which included a 3,911 foot horizontal section. The horizontal section was stimulated with a 19 stage frac.

Range Resources reported that the Balder #1-30N well was the first Mississippi Lime well they had drilled to test in excess of 1,000 BOE per day. It produced at a peak 24 hour production rate of 1,363 BOE per day (782 barrels oil, 340 barrels NGLs and 1,478 mcf gas). AusTex holds a 13.73% Working Interest in the well and invested \$US460,000.

A significant amount of reservoir data was acquired from this low risk entry into horizontal development. This information and the success of this well have provided a valuable insight into the potential of the Snake River Project.



**Figure 1 Balder #1-30N 30 Day production Chart**

### Mississippi Lime Vertical Well Development Success Continues

- **Second production hub (the Blubaugh) including SWD Well established on north side of river**
- **Drilling contract now in place for contractors to drill two wells per month until December 2012**
- **Four vertical production wells now on pump**
- **Four additional production wells drilled and cased waiting on completion**

Following on from the success of the ETU #14-5 and ETU #15-4 wells drilled in the December and March Quarters, AusTex has fast tracked the vertical well drilling program at the Snake River Project. A drilling contract is in place with a rig operator to drill and case two vertical wells per month on the project until December 2012.

### Vertical Well Data to assist with future Horizontal Well Locations

Data from the vertical wells is being used to delineate the Mississippi Lime interval in preparation for further Horizontal Well development. To date AusTex has successfully drilled 8 vertical production wells to an average depth of 4,750 feet and established 2 production hubs with 3 Salt Water Disposal Wells now completed. Currently 4 wells have been brought into production from the Mississippi Lime interval with an additional 4 wells drilled and cased waiting to be completed over the next 60 days.

### Multiple stacked pay zones present in each Vertical Well

Each vertical well has intersected multiple intervals with hydrocarbons present including the Layton, Cleveland and Tonkawa Sands, the Mississippi Lime and the Woodford Shale. Each of these intervals is being targeted by various operators in Oklahoma as potential Horizontal Well candidates. In addition, the Wilcox Sand interval is also present below the Woodford Shale. Completion costs per vertical well are currently ~\$600,000 each.

Logs and samples have shown the Mississippi Lime interval to be consistently in excess of 350 feet in each well with two distinct sections. The Chat (or Chert) sections have in excess of 20% porosity over 30 feet intervals with the Mississippi Lime solid containing natural fractures with over 6% porosity. The production wells are being completed in the Mississippi Lime interval using two stage hydraulic fracture stimulation.

The following table shows the status of wells at Snake River as at 28 July 2012:

Project	Well	Acreage	WI	NRI	Status
<b>Snake River</b>	-	<b>~5,500</b>	<b>100%</b>	<b>81.25%</b>	<b>Development Producing</b>
Vertical	ETU #14-5	-			Producing – Miss Lime
“	ETU #15-4	-			Producing – Miss Lime
“	ETU #17-6	-			Production Testing
“	ETU #14-7				Production Testing
“	Adams #1	10%			Producing – Miss Lime
Horizontal	Balder #1-30N	14.15%			Producing – Miss Lime
<b>Vertical</b>	<b>Blubaugh #20-D1 SWD</b>	-			<b>Disposal well</b>
“	Blubaugh #20-1	-			Drilled – waiting on completion
“	Blubaugh #20-3	-			Drilled – waiting on completion
“	Blubaugh #20-4				Drilled – waiting on completion
“	Blubaugh #21-3				Drilled – waiting on completion
“	ETU #1-6				Intent to Drill - August
“	ETU #1-7				Intent to Drill - August

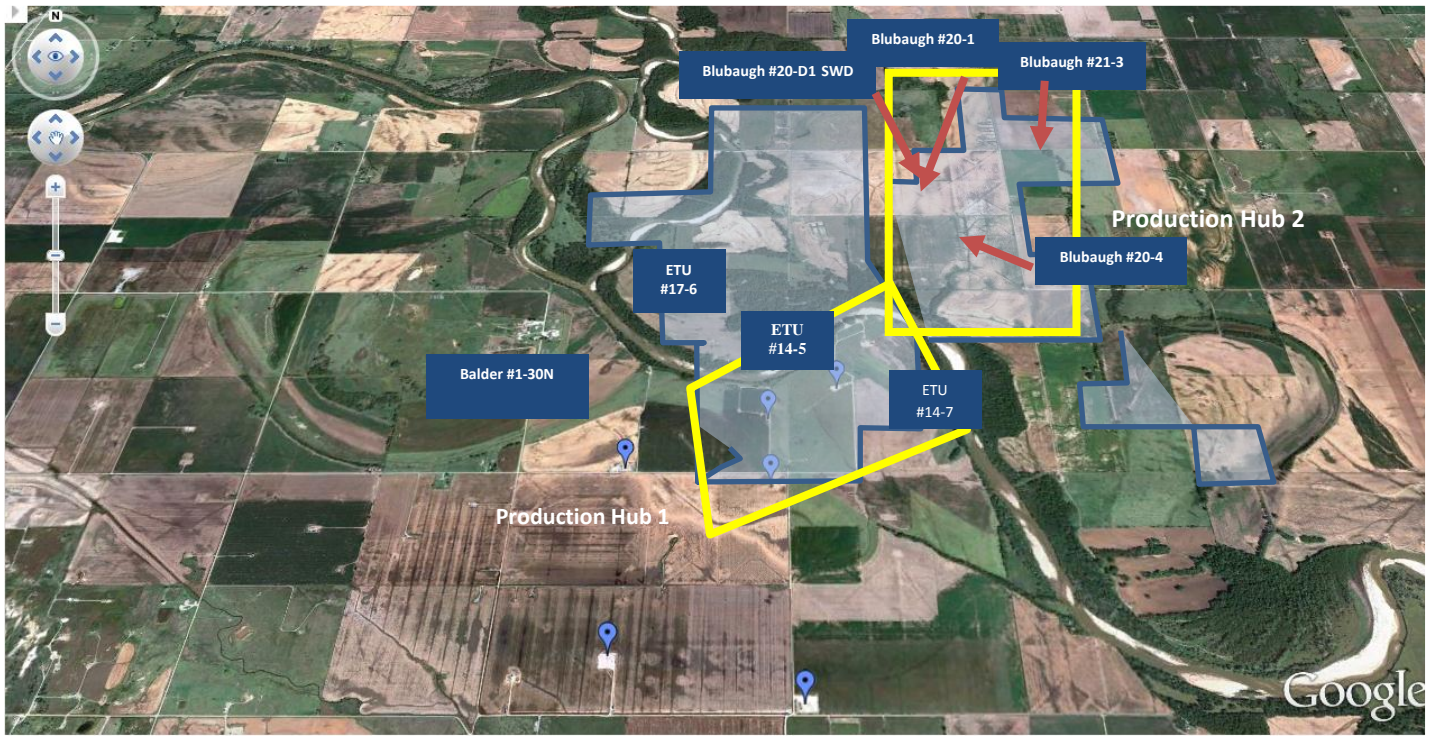


Figure 2 – Location of production hubs in southwest area of Snake River Project

## 1.2. Kansas

AusTex holds interests in oil and gas leases located in the State of Kansas through a wholly owned subsidiary International Energy Corporation (Kansas) (IEC-Kansas). Oil and gas exploration in the region has moved to an all-time high with development focusing on historically known producing zones and new exploration of possible horizontal targets including lime and shale formations previously not targeted. AusTex holds acreage in current areas of interest at very competitive rates.

With the current resurgence in midcontinent oil exploration and development, companies are targeting the 3 known producing limestone formations using modern drilling, completion and lifting methods. These improved technologies are showing increased recovery rates with very good rates of return on investment.

Austex is encouraged by the fact that during the quarter, Apache Corporation (Apache) (NYSE:APA) announced that it had entered the Mississippi Lime Play in Kansas and their extension of the play to include southern Nebraska. Apache released information on their acquisition of 580,000 acres of oil and gas leases and with an estimated ultimate recovery of up to 2 Billion barrels of oil.

Identified horizontal targets include the Lansing Kansas City, Cherokee and Mississippi Lime intervals. The acreage acquisitions identified by Apache included acreage in Thomas and Sheridan Counties adjacent to oil and gas lease interests held by AusTex.

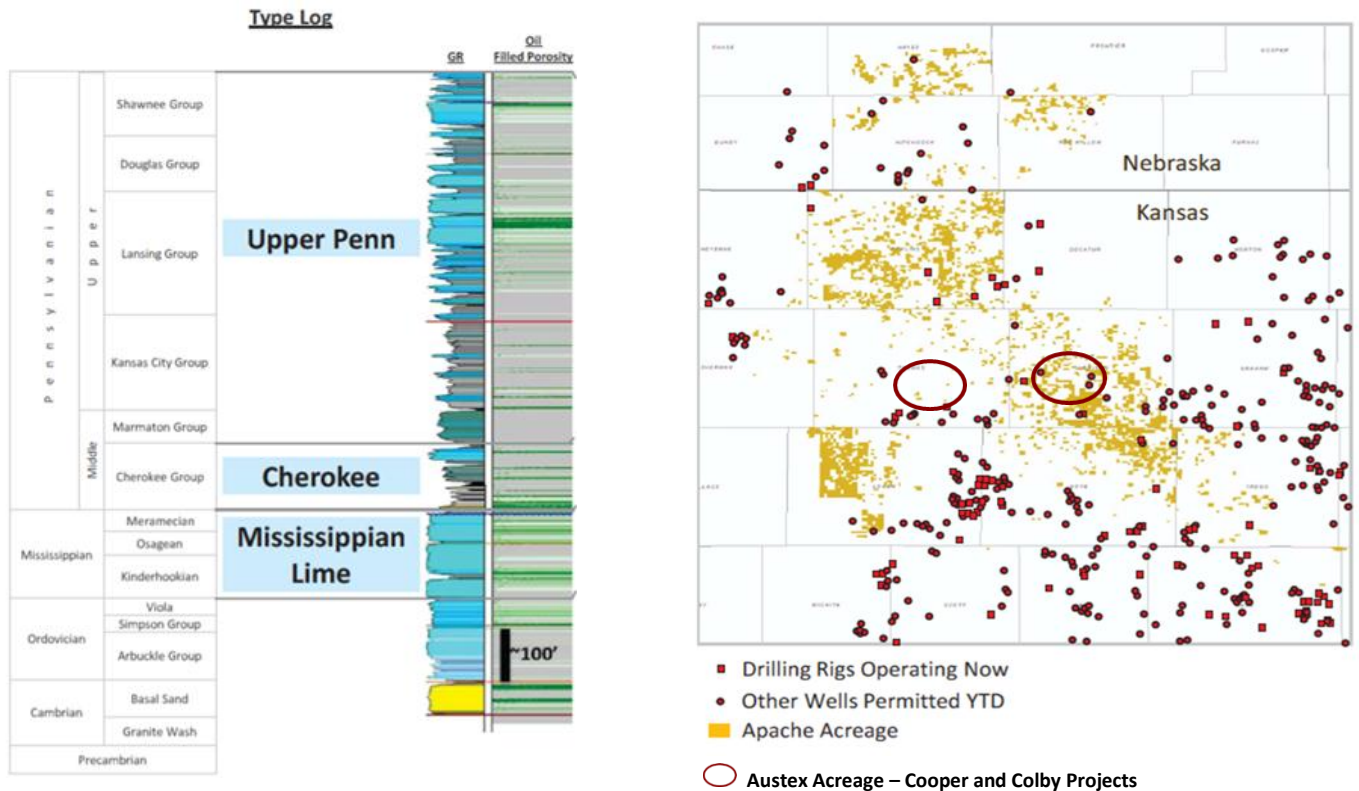


Figure 3 Information from Apache Corporation Presentation released 14 June 2012

**1.2.1. Cooper Project – 11,600 acres**  
**Sheridan County – Kansas**  
**AOK 53% WI 38% NRI**

During 2009, a 26,500 acre seismic acquisition program was completed across the Cooper Project in Sheridan County. The Clark #1 Well and two other producing wells were completed for production in the Lansing-Kansas City Lime formation. In order to increase the success ratio, TameCat LLC, of Oklahoma City was engaged to reprocess the seismic.

By using electronic logs from the wells drilled and TameCat's unique methodology using both geophysics and petrophysics, numerous high-graded targets have now been identified within the 11,600 acre project area. Lease extensions have now been finalised on the underlying acreage.

At the time of this report, drilling on the Melanie #1 Well was underway with results to be announced at a later date. The well is to be drilled to an expected TD of approximately 5,000 feet targeting the Mississippi Lime interval.

**1.2.2. Colby Project – 15,500 acres**  
**Thomas County – Kansas**  
**AOK 70% WI 58.8% NRI**

During the Quarter, the company announced the acquisition of an additional of an additional 7,400 acres in Thomas County, Kansas, on the west of the Cooper Project, bringing the total acreage to 15,500. A 3D seismic shoot has now been completed on the acreage with the data collected in the final stages of processing under the supervision of TameCat LLC. Target formations, in addition to the Mississippi Lime, include the Toronto, Lansing Kansas City, and Arbuckle formations.

## **2. Production and Revenue**

Gross Revenue from operations for the quarter was \$1,050,547 (\$US1,056,617) with net to AusTex of \$785,715 (\$US790,285). Revenue for the quarter was based on an average oil price of \$101.06 in April, \$92.15 in May and \$80.29 for June. The decline in the oil price and AUD/USD exchange rate affected the net revenue figures which are reported in AUD.

During the three months ending 30 June 2012, cash expended for exploration and project development was \$2,038,000.

Cash and short term investments on hand at end of quarter were \$7,196,000.

Table of Monthly Production:-

Month	Total Production BOE	Average Daily Production BOE/day
April	4,985	166
May	5,300	170
June	8,980	299

### 3. Corporate Activity

#### 3.1. Annual General Meeting

The 6th Annual General Meeting of the Shareholders of AusTex was held at the Sofitel Hotel, Sydney, on May 31, 2012. A webcast of the Chairman's address and the presentation by the Managing Director was released through Boardroom Radio.

#### 3.2. Approval of Placement \$AU1.4 million to Director and \$US\$7.5million Convertible Notes

Shareholders voted in favour of the fundraising initiatives put to the meeting including the placement of \$1.4m to Mr K H Hung and the issue of \$US7.5 million in convertible notes to US investors.

As a result the Company has issued Mr Hung, 16,470,590 shares for a consideration of \$0.085 per share for an investment of AUD\$1.4 million and issued 5,490,197 unlisted options with an exercise price of \$0.15 each with an expiry date of 7 June 2014.

The Company also issued \$US7.5million of convertible notes (the Notes) to a group of North American-based oil and gas focused Institutional Investors, including New York based Iroquois Capital Opportunity Fund, LP (ICO Fund), Los Angeles-based Young Capital Partners, LP and Toronto based The K2 Capital Principal Fund, LP. The Notes were issued to those investors with a conversion price of \$AU0.15 for each fully-paid ordinary share. AOK also issued 25,257,627 free options to the Note subscribers. The options are unlisted and have an exercise price of \$AU0.20 each on or before 13 June 2015.

Funds are to be used for the Development of the Company's oil and gas leases in Oklahoma and Kansas and working capital.

#### 3.3. Reserves Report

An Independent Reserve Report was completed in June 2012 by Integrated Petroleum Technologies Inc., of Denver, Colorado. The report has been completed under the Canadian 51-101 guidelines.

A summary of the Reserve Position is highlighted in the table below:

Reserve Category	Oil Reserves Net (Mbbl)	Gas Reserves Net (MMscf)	BOE Mboe 6:1	Undiscounted Cash Flow (\$ million)	10% NPV Cash Flow (\$ Millions)
Proved	252	657	383.4	16,150	10.9
Proved Producing	113	113	131.8	9,119	6.5
Proved undeveloped	2,736	3,776	3,365	156,062	79.2
<b>Total Proved (1P)</b>	<b>3,101</b>	<b>4,546</b>	<b>3,858</b>	<b>181,331</b>	<b>96.7</b>
Probable Undeveloped	1,803	1,736	2,850	103,801	61.7
<b>Total Proved + Probable (2P)</b>	<b>4,904</b>	<b>6282</b>	<b>5,951</b>	<b>285,132</b>	<b>158.4</b>
Possible Undeveloped	6,386	6,254	7,428	375,995	230,365
<b>Total Proved + Probable + Possible (3P)</b>	<b>11,290</b>	<b>12,536</b>	<b>13,379</b>	<b>661,127</b>	<b>388.8</b>

**Competent Person's Statement**

Reserves have been certified by Richard A. Burns PE, a Reservoir Engineer employed by Integrated Petroleum Technologies Inc., Denver, Colorado, and is a qualified person as defined under the ASX Listing Rule 5.11. Mr Burns holds a Bachelor of Science in Petroleum Engineering and has over forty years' experience in engineering studies, evaluation of oil and gas properties, drilling, completion, production and process engineering of oil and gas operation and evaluation of properties in Canada and U.S.A and is a qualified evaluator and auditor as defined in National Instrument 51-101. Reserves have been developed within the guidelines of the Canadian Oil and Gas Evaluation handbook and in accordance with Canadian National Instrument 51-101. Mr Burns has consented to the use of the reserve figures in this report. Mr. Burns is a published member of the Society of Professional Engineers.

**4. Lease Operating Schedule – 31 March 2011**

Lease Name	Acreage	WI	NRI	Status	County, State
Snake River	~5,500	100%	81.25%	Development Producing	Kay County, OK
Tulsa and surrounds	~1,600	100%	81.25%	Producing	Tulsa, OK
Cooper	11,600	53%	38%	Development Producing	Sheridan, KS
Beltz	160	40%	33.8%	Producing	Ellis, KS
Ellsworth	3,200	50%	38%	Development Producing	Ellsworth, KS
Colby	15,500	70%	58.8%	Exploration Seismic Completed	Thomas, KS

For and on behalf of  
AusTex Oil Limited



Daniel Lanskey  
Managing Director  
31 July 2012



# Appendix 5B

## Mining Exploration entity quarterly report

Name of entity

AUSTEX OIL LTD

ABN

42 118 585 649

Quarter ended ("current quarter")

30-June-2012

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	Jun quarter \$A'000	Year to date (6 months) \$A'000
1.1 Receipts from product sales and related debtors	782	1,550
1.2 Payments for		
(a) exploration and evaluation	(536)	(841)
(b) development	(1,502)	(2,756)
(c) production	(375)	(617)
(d) administration	(802)	(1,600)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	8
1.5 Interest and other costs of finance paid	(7)	(14)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	5	5
<b>Net Operating Cash Flows</b>	<b>(2,433)</b>	<b>(4,265)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchase of:		
(a) prospects	(26)	(252)
(b) equity investments	-	-
(c) other non current assets	(410)	(563)
1.9 Proceeds from sale of:		
(a) prospects	-	391
(b) equity investments	63	330
(c) other non current assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - Security Deposits	(3)	(5)
<b>Net investing cash flows</b>	<b>(376)</b>	<b>(99)</b>
<b>1.13 Total operating and investing cash flows (carried forward)</b>	<b>(2,809)</b>	<b>(4,364)</b>

## Appendix 5B

### Mining Exploration entity quarterly report

	Jun quarter \$A'000	Year to date (6 months) \$A'000
1.13 <b>Total operating and investing cash flows (brought forward)</b>	(2,809)	(4,364)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	1,450	4,125
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	7,457	7,457
1.17 Repayment of borrowings	(16)	(49)
1.18 Dividends paid	-	-
1.19 Share issue costs	(290)	(511)
<b>Net financing cash flows</b>	<b>8,601</b>	<b>11,022</b>
<b>Net increase (decrease) in cash held</b>	<b>5,792</b>	<b>6,658</b>
1.20 Cash at beginning of quarter/year	1,492	649
1.21 Exchange rate adjustments to item 1.20	(88)	(111)
1.22 <b>Cash at end of quarter/year</b>	<b>7,196</b>	<b>7,196</b>

**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	195
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**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 cashflows

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

# Appendix 5B

## Mining Exploration entity quarterly report

### 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 - Convertible Notes	7,500	7,500
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	1,000
4.3 Production	400
4.4 Administration	400
<b>Total</b>	<b>1,850</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	161	477
5.2 Deposits at call	151	1,015
5.3 Bank overdraft	-	-
5.4 Other - Bills and Bank Term Deposits	6,884	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>7,196</b>	<b>1,492</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				

## 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 per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy backs, redemptions				
7.3 Ordinary securities	328,784,374	328,784,374	Fully Paid	Fully Paid
7.4 Changes during quarter				
(a) Increases through issues	16,470,590	16,470,590	8.5 cents	8.5 cents
(b) Release from escrow				
(c) Decreases through returns of capital, buy backs				
7.5 Convertible debt securities (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options			Exercise Price	Expiry Date
	3,000,000	-	40 cents	30.06.2013
	2,482,000	-	15 cents	11.01.2014
	10,166,167	-	15 cents	05.03.2014
	20,490,197	-	15 cents	07.06.2014
	27,272,726	-	15 cents	29.07.2014
	12,500,000	-	15 cents	31.08.2014
	25,257,627	-	20 cents	13.06.2015
7.8 Issued during quarter	20,490,197	-	15 cents	07.06.2014
	25,257,627	-	20 cents	13.06.2015
7.9 Exercised during quarter	333,333	-	15 cents	05.03.2014
7.10 Expired during quarter				
7.12 Unsecured notes (totals only)				

# Appendix 5B

## Mining Exploration entity quarterly report

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) 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: ..... Date: 31 July 2012  
Director

Print name: Dan Lanskey

### 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.