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Activities Report for the Quarter Ended 30 September 2012

31 October 2012

Highlights

- **500 boe/day Net Production achieved in last week of September 2012**
- **Gross Sales for September Quarter \$US 1.4m – up 33% on June Quarter 2012**
- **First Miss Lime Horizontal Well returns 67% on Investment in first 90 days**
 - **Balder No. 1-30N averaged 839 boe/day Gross Production for 90 days**
- **Vertical Well development program delivering two new wells per month**
 - **30 day averages >80 boe/day – 70% liquids**
- **Agreement with Range Resources to participate in additional Horizontal Wells**
- **Independent Reserve Report completed under Canadian 51-101 guidelines**
 - **Proved and Probable Net Reserves (2P) Reserves 5.9m BOE**
 - **2P 10% NPV estimate of \$288m**
- **Additional Funding to raise \$12.5m for fast track Miss Lime Development**
 - **\$10m Placement Institutional and Sophisticated Investors**
 - **Tranche 1 raises \$3.5m - completed**
 - **Tranche 2 Placement (subject to shareholder approval) - \$6.5m**
 - **Share Purchase Plan underway to raise up to \$2.5m – closes 20 Nov 2012**
 - **General Meeting of Shareholders to be held 26 November 2012 in Sydney**
- **Independent Non-Executive Directors Appointed**

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 subsidiaries, International Energy Corporation (Oklahoma) (IEC-OK) and International Energy Corporation (Northern Oklahoma), with offices located at 1801 East 71st Street, Tulsa. In Kansas, AusTex is the major working interest partner through its wholly owned subsidiary, International Energy Corporation (Kanas) (IEC-Kansas) with Castle Resources Inc., as operator. **AusTex holds interests in 23,000 net acres in the Mississippi Lime play with daily net production of ~500 barrels of oil equivalent per day (BOE) (70% oil) as at 31 October 2012.**

1. Operations

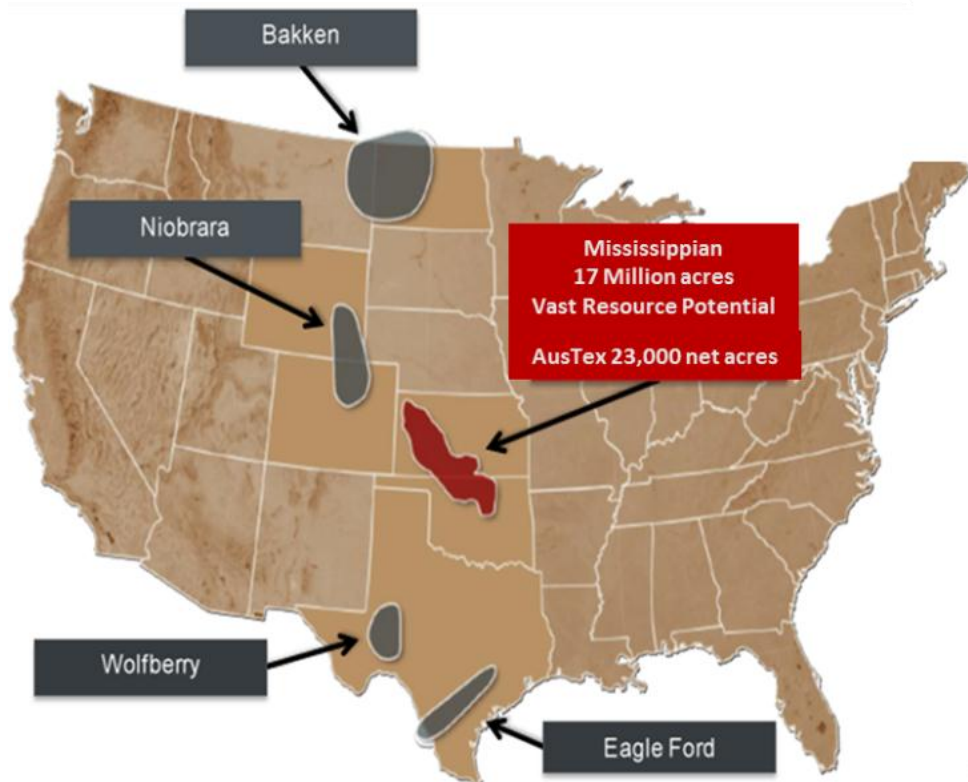


Figure 1 Location of AusTex’s acreage in the Mississippi Lime Play in Kansas and Oklahoma

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). The primary focus of the Company in Oklahoma is oil and gas production growth at the 100% owned Snake River Project in Kay County.

1.1.1. Snake River Project – 5,500 acres

Northern Oklahoma

AOK 100% Working Interest (WI) ~81.25% Net Revenue Interest (NRI)

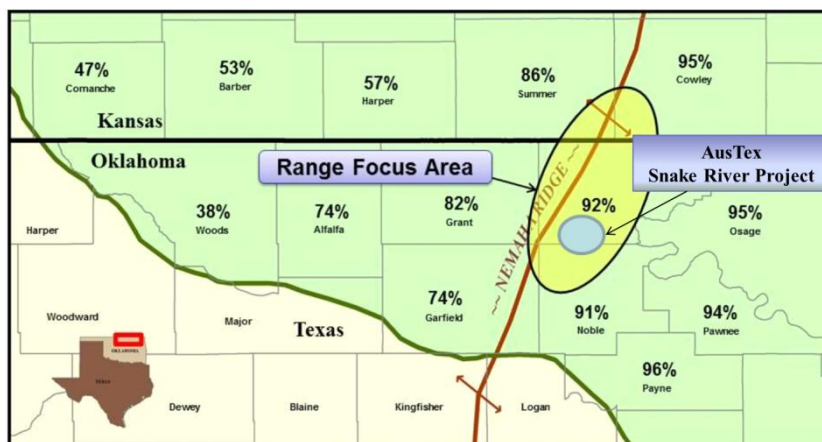


Figure 2 Location of AusTex’s Snake River Project

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 Phillips 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. During the June Quarter, AusTex participated with Range Production Company Inc., a subsidiary of Range Resources, in drilling the Balder #1-30N Horizontal Well on the south western edge of the project. The well was drilled on a 320 acre spacing which included a portion of AusTex's lease holdings.

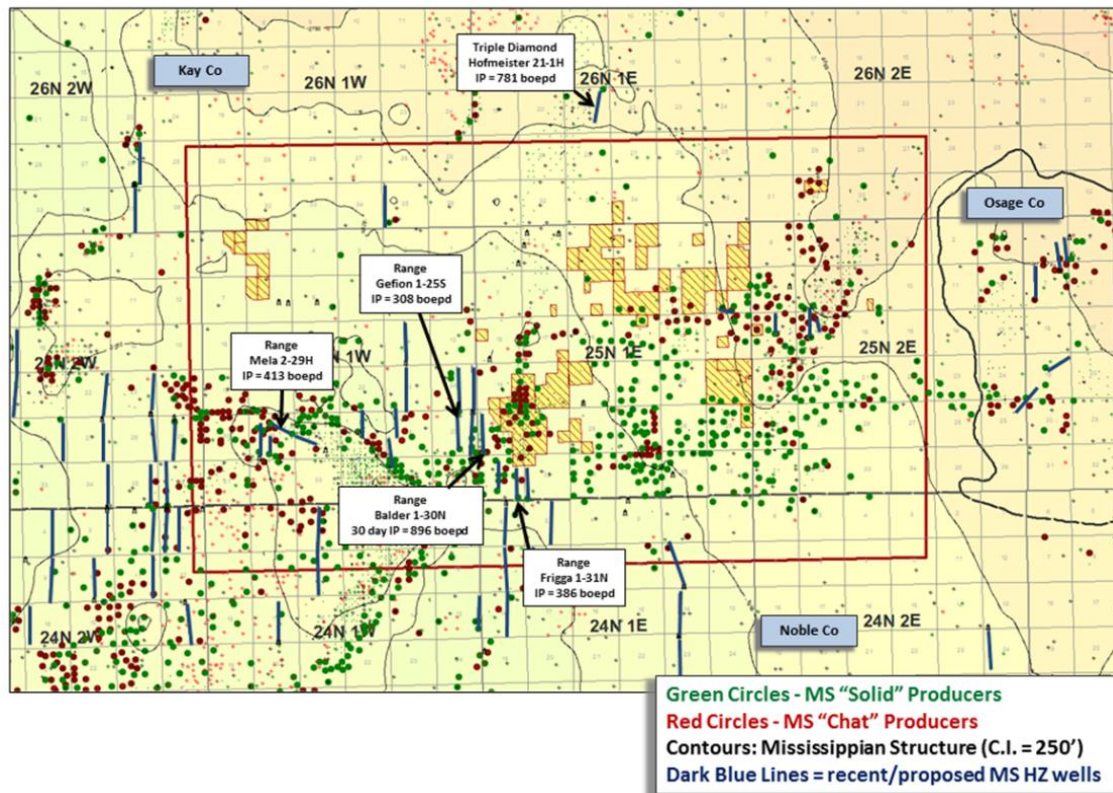


Figure 3 Map showing AusTex Snake River Acreage in Northern Oklahoma

1.1.2. Balder #1-30N Horizontal Well – First 1,000 boe/day plus well for Range Resources AOK 13.76% WI 11.13% NRI

The well 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 recently reported that the well returned a 67.14% return on investment from the first 90 days of oil and gas sales to AusTex. Gross oil and gas production during the first 90 days averaged 839 boe/day.

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.

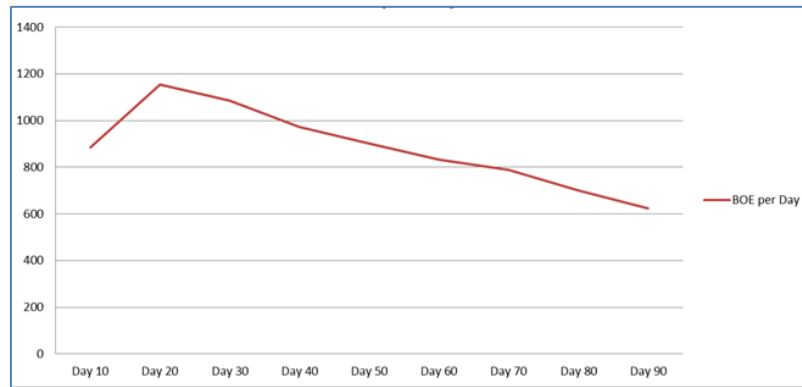


Figure 4 Balder #1-30N Horizontal Well - 90 Day production Chart

1.1.3. Additional Horizontal Well participations with Range Resources planned

During the quarter, agreements to participate in additional horizontal well development with Range Resources were finalised. The Balder #2-31N well is planned to be drilled as an offset to the successful Balder #1-30N horizontal well. AusTex will hold a 13.76% Working Interest in the new well.

In addition, up to three wells are to be drilled in Section 19, Township 25N Range 1 West. The first of these, the Hod #1-19H, is expected to spud shortly. AusTex will hold an 8.33% working Interest in this well.

1.1.4. Mississippi Lime Vertical Well Development Success Continues AOK 100% WI 81.25% NRI

- **11th Production well drilled during October 2012**
- **Five Vertical wells in various stages of completion**
- **Average 30 Day Production rates of >80 boe/day being achieved at Production Hub No.2**

Since August 2011, AusTex has drilled 12 vertical wells into the Mississippi Lime to a Target Depths of ~4,750 feet. Logs and samples have verified the Mississippi Lime interval to be consistently in excess of 350 feet in each well with two or more distinct sections. The Chat sections have in excess of 20% porosity over 30 feet intervals with the Mississippi Lime solid containing natural fractures with over 6% porosity, as well as cherty zones of high porosity.

The production wells are being completed in the Mississippi Lime interval using two stage hydraulic fracture stimulation. Completion costs per vertical well are currently ~\$600,000 each. Data from the vertical wells is being used to delineate the Mississippi Lime interval in preparation for further Horizontal Well development.

The company has established two production hubs on the project with separate Salt Water Disposal (SWD) facilities. Production Hub no. 2, which includes the #20-1D SWD well and associated infrastructure, was completed in the June quarter.

At the time of the release of this report 6 vertical wells have been completed for production with an additional 5 wells at various stages of completion. Drilling of vertical wells is scheduled to continue with a target of 2 new wells being drilled each month. Oil and gas production is expected to increase over the coming months as additional wells undergo production testing and commence stable production.

Snake River Project Well Summary as at 31 October 2012:-

Project	Well	Acreage	WI	NRI	Status	
Snake River	-	~5,500	100%	81.25%	Development Producing	
Production Hub No. 1	ETU #14-5	-	100%	81.25%	Producing – Miss Lime	
	ETU #15-4	-	100%	81.25%	Producing – Miss Lime	
	ETU #17-6	-	100%	81.25%	Producing – Miss lime	
	ETU #14-7		100%	81.25%	Production Testing Miss Lime & Chat	
	Adams #1		10.00%	8.13%	Producing – Miss Lime	
	Horizontal	Balder #1-30N		13.76%	11.13%	Producing – Miss Lime
	Horizontal	Hod #1-19		8.33%	6.77%	December Qtr
Production Hub No. 2	#20-D1 SWD	-	100.00%		Operational	
	#20-1	-	100.00%	80.00%	Producing – Miss Lime	
	#20-2		100.00%	80.00%	Fracced and awaiting flow back and completion	
	#20-3		100.00%	80.00%	Production testing Flowing to Tank (no pump fitted)	
	#20-4		100.00%	80.00%	Production Testing Flowing to Tank (no pump fitted)	
	#20-5		100.00%	80.00%	Fracced and awaiting flow back and completion	
	#21-3	-	100.00%	80.00%	Drilled and Cased	
	ETU #1-6		100.00%	81.25%	Drilled and Cased	
	ETU #1-7		100.00%	81.25%	Drilled and Cased	

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). Industry 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.

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

During August 2012, the Melanie #1 vertical well successfully reached a total depth of 4,600 feet in the Arbuckle formation. The well intersected the targeted Lansing Kansas City and Mississippi Lime intervals. A drill stem test was conducted in the Lansing Kansas City formation between 3,966 feet and 3,985 feet which indicated a test flow rate of approximately 100 boe/pd. The well is currently being completed for oil production in the Lansing Kansas City formation.

Apache Corporation is currently drilling the first Horizontal Well in Sheridan County targeting the Mississippi Lime interval. Further updates on this project will be made when results of this well are known.

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

The Colby Project was acquired in early 2012 and a seismic acquisition program was completed. During the quarter 3D seismic mapping was completed which identified the three target horizons being the Lansing-Kansas City, Cherokee Sand and Mississippi Lime. Exploratory vertical well drilling is scheduled to commence during 2013.

2. Production and Revenue

Gross Revenue from operations for the quarter was \$1,343,621 (\$US1,401,265) with net to AusTex of \$1,014,144 (\$US1,057,652). Revenue for the quarter was oil and gas sold during the months of June, July and August 2012 and received in the period 1 July to 30 September.

During the three months ending 30 September 2012, cash expended for exploration and project development was \$2,911,000.

Cash and short term investments on hand at end of quarter were \$3,114,485.

Table of Monthly Production:-

Month	Total Production BOE	Average Daily Production BOE/day
July	8,234	265
August	8,580	275
September	9,914	330

3. Corporate Activity

3.1. Appointment of Independent Non Executive Directors

Two independent Non-Executive Directors have been appointed since 1 July 2012.

Mr Justin Clyne was appointed on 20 August 2012. Mr Clyne holds a Master of Laws in International Law and is a qualified Chartered Company Secretary.

Mr Russell Krause was appointed to the board on 23 October 2012. Mr Krause has 25 years' experience in Stockbroking and Investment Banking.

The Board will continue to review its current skill set versus its requirements both on the ASX and in its preparation for a proposed listing on the TSXV in 2013.

3.2. Placement to Institutional and Sophisticated Investors and Share Purchase Plan

During October the Company announced an offer to raise up to A\$12.5 million to fund the ongoing appraisal and development of the Company's acreage in Kansas and Oklahoma.

The offer comprises:

- A Placement of approximately 83.3 million new fully paid ordinary shares to sophisticated and professional investors at a price of \$0.12 per share to raise \$10.0 million; and,
- A share Purchase Plan of up to \$15,000 per eligible shareholder at \$0.12 per share to raise up to \$2.5million.

GMP Securities acted as sole Lead Manager and Book runner to the Placement. Tranche 1 of the placement settled on Wednesday 24 October 2012 and 29.3 million fully paid ordinary shares were issued raising a total of \$3,516,000 before costs. In addition 20 million new options were issued to holders of Convertible Notes in consideration of a waiver under the note conditions to conduct the offer at a price of less than \$0.15.

Documents in relation to the Share Purchase Plan have been mailed to eligible Shareholders (being those persons registered as ordinary shareholders as at 5.00 p.m. (AEDST) on Tuesday 16 October 2012 who reside in Australia and New Zealand.

Tranche 2 of the Placement, to raise \$6,484,000 is subject to an Extraordinary General Meeting (EGM) of shareholders to be held in Sydney on 26 November 2012.

3.3. Reserve Report

An Independent Reserve Report was released to the market on 3 July 2012. The Report was prepared by Integrated Petroleum Technologies Inc., of Denver, Colorado, under the Canadian instrument 51-101 guidelines.

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

Reserve Category	Oil Reserves Net (Mbbbl)	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
Total Proved (1P)	3,101	4,546	3,858	181,331	96.7
Probable Undeveloped	1,803	1,736	2,850	103,801	61.7
Total Proved + Probable (2P)	4,904	6,282	5,951	285,132	158.4
Possible Undeveloped	6,386	6,254	7,428	375,995	230,365
Total Proved + Probable + Possible (3P)	11,290	12,536	13,379	661,127	388.8

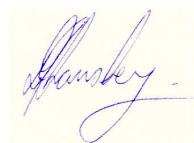
Competent Person's Statement

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 – 30 September 2012

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 October 2012

Appendix 5B

Mining Exploration entity quarterly report

Name of entity

AUSTEX OIL LTD

ABN

42 118 585 649

Quarter ended ("current quarter")

30-September-2012

Consolidated statement of cash flows

Cash flows related to operating activities

	Sep quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	1,033	2,583
1.2 Payments for		
(a) exploration and evaluation	(249)	(1,090)
(b) development	(2,662)	(5,418)
(c) production	(368)	(985)
(d) administration	(978)	(2,578)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	3	11
1.5 Interest and other costs of finance paid	(217)	(231)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	5
Net Operating Cash Flows	(3,438)	(7,703)
Cash flows related to investing activities		
1.8 Payment for purchase of:		
(a) prospects	-	(252)
(b) equity investments	-	-
(c) other non current assets	(635)	(1,198)
1.9 Proceeds from sale of:		
(a) prospects	-	391
(b) equity investments	-	330
(c) other non current assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - Security Deposits	(9)	(14)
Net investing cash flows	(644)	(743)
1.13 Total operating and investing cash flows (carried forward)	(4,082)	(8,446)

Appendix 5B

Mining Exploration entity quarterly report

	Sep quarter \$A'000	Year to date (9 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(4,082)	(8,446)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	4,125
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	174	7,631
1.17 Repayment of borrowings	(5)	(54)
1.18 Dividends paid	-	-
1.19 Share issue costs	-	(511)
Net financing cash flows	169	11,191
Net increase (decrease) in cash held	(3,913)	2,745
1.20 Cash at beginning of quarter/year	7,196	649
1.21 Exchange rate adjustments to item 1.20	(169)	(280)
1.22 Cash at end of quarter/year	3,114	3,114

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	173
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	750
4.3 Production	400
4.4 Administration	400
Total	1,600

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	531	161
5.2 Deposits at call	81	151
5.3 Bank overdraft	-	-
5.4 Other - Bills and Bank Term Deposits	2,502	6,884
Total: cash at end of quarter (item 1.22)	3,114	7,196

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 (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
	2,382,000	-	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
	10,000,000	-	15 cents	22.08.2014
	182,000	-	15 cents	15.08.2014
7.8 Issued during quarter	10,000,000	-	15 cents	22.08.2014
	182,000	-	15 cents	15.08.2014
7.9 Exercised during quarter				
7.10 Expired during quarter	100,000	-	15 cents	11.01.2014
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 October 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.