AusTex Oil Limited
Appendix 4D
Half-year report

1. Company details

Name of entity:	AusTex Oil Limited
ABN:	42 118 585 649
Reporting period:	For the half-year ended 30 June 2017
Previous period:	For the half-year ended 30 June 2016

2. Results for announcement to the market

				US$
Revenues from ordinary activities	up	31.9%	to	4,061,777
Loss from ordinary activities after tax attributable to the owners of AusTex Oil Limited	up	98.5%	to	(8,262,899)
Loss for the half-year attributable to the owners of AusTex Oil Limited	up	98.5%	to	(8,262,899)

Dividends
There were no dividends paid, recommended or declared during the current financial period.

Comments
The loss for the group after providing for income tax and non-controlling interest amounted to US$8,262,899 (30 June 2016: US$4,161,782).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	4.60	6.02

4. Control gained over entities

Not applicable.

5. Dividends

Current period
There were no dividends paid, recommended or declared during the current financial period.

Previous period
There were no dividends paid, recommended or declared during the previous financial period.

6. Dividend reinvestment plans

Not applicable.

7. Foreign entities

Details of origin of accounting standards used in compiling the report:

Wholly owned US subsidiaries: AusTex Oil Holdings LLC, IEC Holdings LLC, International Energy Corporation (Oklahoma), International Energy Company LLC, International Properties Partners LLC and International Oil & Gas LLC. See Note 2 regarding corporate entities.

USA GAAP (USA Generally Accepted Accounting Principles) are used by each of the subsidiaries to prepare financial records in the United States of America. The USA GAAP financial statements are amended in order to comply with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. Compliance with Australian Accounting Standards ensures the financial statements also comply with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").

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8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

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9. Attachments

Details of attachments (if any):

The Interim Financial Report of AusTex Oil Limited for the half-year ended 30 June 2017 is attached.

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10. Signed

Richard Adrey
Managing Director

Date: 31 August 2017

AusTex Oil Limited

ABN 42 118 585 649

Interim Financial Report - 30 June 2017

Directors	Richard A Adrey - Managing Director, USA Nicholas J Stone - Non-Executive Director,, USA Russell H Krause - Non-Executive Director, Australia Mark Paton - Non-Executive Director, Australia
Company secretary	Andrew Bursill
Registered office	Suite 2, Level 10 70 Phillip Street, Sydney NSW 2000 Telephone: +61 2 9238 2363 Fax: +61 2 8088 7280
Share register	Boardroom Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: +61 2 9290 9600
Auditor	BDO East Coast Partnership
Solicitors	Gilbert + Tobin Level 31, 2 Park Street Sydney NSW 2000 Telephone: +61 2 9263 4000 Fax: +61 2 9263 4111
Bankers	ANZ Banking Group Limited Martin Place Sydney NSW 2000
Stock exchange listing	AusTex Oil Limited shares are listed on the Australian Securities Exchange (ASX code: AOK) and on the OTCQX International (OTCQX code: ATXDY)
Website	www.austexoil.com

Review of Operations and Financial Results

The principal activities of the consolidated entity consisting of AusTex Oil Limited (herein referred to as the "Company" or "AusTex") and the entities it controlled (the "Group") consisted of production and development of oil and gas leases in Oklahoma and a small amount of production only in Kansas in the United States of America.

Consistent with the presentation currency used for the prior comparative 6-month period to 30 June 2016 and since that time, the financial information is presented in US dollars.

Operating Results

The operating result of the Group increased to a loss of USD $(8,262,899) (2016: Loss of USD $4,161,788) principally due to a decrease in revenue and write down of some producing assets.

Revenue & Production Growth

Revenue from oil and gas sales from leases held by the Group for the 6 months ended 30 June 2017 was USD $4,061,777 compared to USD $3,080,568 for the 6 months ending 30 June 2016. Production from the leases held by the company for the 6 months ended 30 June 2017 was 136,618 BOE which was comprised of 58.9 MBBLs of Oil and 466.4 MMCF of Gas compared to 199,751 BOE (99.0 MBBLs of Oil and 604.1 MMCF of Gas) for the 6 months ended 30 June 2016.

Exploration & Development

Oklahoma

AusTex operates leases in Oklahoma through its subsidiaries as follows:

Consolidated Entities	**Place of incorporation**	**% Owned**
AusTex Oil Limited (Parent of)	Australia	
AusTex Oil Holdings LLC (Parent of)	Oklahoma, USA	100
IEC Holdings LLC (Parent of)	Oklahoma, USA	100
International Energy Corporation (Oklahoma)	Oklahoma, USA	100
International Oil & Gas LLC	Oklahoma, USA	100
International Properties Partners LLC	Oklahoma, USA	100
International Energy LLC	Oklahoma, USA	99
International Energy Company LLC	Oklahoma, USA	100

During the 6 months ended 30 June 2017, development efforts were focused on reworking wells in the Cushing Field in Creek County and another acquisition and a new drill in Snake River Project in Kay County, Oklahoma. AusTex, as Operator, drilled the one new vertical production well on the northern extension of the project during the 6 months ended 30 June 2017 being the Buffalo 19-2 well. This well is located in the newly acquired ~720 acres where there is another producing well and a disposal well.

The Buffalo 19-2 was the first well drilled since the Steichen 12-1A which was drilled into the Mississippian formation in the south-eastern quadrant of the Snake River field during the September quarter of last year. The Company believes the acquisition of the acreage around the Buffalo 19-2 well to the northeast is an area which has some compelling historic production. The well should enable the Company to enhance its understanding of the complicated Mississippian geology in the area and develop a higher quality and more consistent drilling program to be deployed once the oil price rebounds. Samples and open-hole logs indicated the presence of commercial hydrocarbons and a production testing is currently underway to dewater the reservoir. The total drill and completion cost for the well was less than USD$350,000 which is roughly 40% less than our average for wells drilled in the area. A reduction of that magnitude is likely not sustainable going forward, but in this environment, well costs of USD$450,000 – USD$525,000 are expected to be sustainably feasible.

The acquisition of 50% of the Cushing Field, completed in Q4-16, has been an on-going project addressing previously deferred maintenance on the acquired properties. Consistent with our strategy outlined in the first two quarters of 2016, the current downturn in the oil sector is providing the Company with the opportunity to maintain the dual focus of, firstly, to pursuing acquisition opportunities that meet the Company's investment hurdle rates and, secondly, continuing to prudently develop and produce at its 100% owned Snake River Project in Kay County, Northern Oklahoma targeting the liquid rich Mississippi Lime formation.

At the end of the half year period, 145 wells were in production (including 7 non-operated wells) with 1 well under completion and a further 97 wells shut in as either under evaluation or temporarily uneconomic. Given the ongoing low oil prices, production remained constrained across the half year period to preserve oil in the formation for sale in a more favourable pricing environment. This strategy will continue to be applied in the near term with the Company continuing to monitor oil prices. Should the forward oil price curve move up or down significantly from June quarter levels, management will likely adjust the number of wells in active production according to their economic contribution.

The Snake River Project remains the core development focus area of the company.

Figure 1: (Shown Below) AusTex's Snake River Project, Kay County, Northern Oklahoma

Month	Monthly Production ('000BOE)	Average Daily Production (BOE)	Change from Previous Month	Cumulative Calendar Year Production ('000BOE)
January	18,286	590	-	18,286
February	16,804	600	-1482	35,089
March	18,802	607	1998	53,892
April	19,866	662	1064	73,758
May	20,269	654	403	94,027
June	17,274	576	-2995	111,301

Table 2: Monthly Production and Cumulative Annual Total to 30 June 2017.

Well Count as of 30 June 2017	Gross Well Count	Net Well Count
Pumping – Non Operated	7	3
Pumping – Operated	145	111
Flowing / Testing	0	0
Drilled and Fracced only	1	1
Drilled only	97	58
Total Wells	250	173

Table 3: Wells by Stage of Production as at 30 June 2017

Kansas

Consistent with previous announcements to the market, following on from 2016 there was no exploration, development or production work on the Company's acreage in Kansas in the half year period. The Company continues to review its acreage throughout Kansas as it prioritizes the acceleration of development and production at both Snake River and Cushing Field and identifying acquisition and other corporate opportunities. The Companies acreage in Kansa contributes only a nominal amount to production of around 1% to 2%.

Lease Summary

Pursuant to Listing Rule 5.4.3, a schedule of the Company's leases and interests therein as 30 June 2017 is provided as follows (gross acreage shown).

Field Name	Net Acreage	WI	NRI	Status	County, State
Snake River	~9,900	100%	~81%	Development Producing	Kay County, OK
Tulsa and Surrounds	~600	100%	~81%	Producing	Tulsa, OK
Ellsworth	~500	50%	~38%	Producing	Ellsworth, KS
Cushing Field	~7,700	50%	~41%	Producing	Creek, OK

Table 4: AusTex Oil's Lease Operating Schedule as at 30 June 2017

Oil & Gas Reserves

The Group's petroleum reserves at 31 December 2016 as determined by the independent reserves and economic evaluation ("Reserve Report") prepared by Pinnacle Energy, LLC (Pinnacle) for all properties was released to the market on 29 March 2017 which included 1P Reserves of 4.250 mboe. Subsequent to the end of the half year on 31 August 2017, an updated Reserve Report was prepared internally in relation to the Company's Snake River, Cushing Field, and Sweet acreage in Oklahoma and acreage in Kansas which is demonstrated in Table 5 below.

Reserve Class	Number of Properties	Net Reserves		Net Reserves	Net Capital	Net Cashflow	NPV Disc @ 10%
		Oil MBL	Gas MMCF	MBOE (1:6)	M$	M$	M$
Proved Developed Producing (PDP)	105	1,429	7,400	2,662	0	51,452	19,776
Proved Non-producing (PNP)	2	12	61	22	855	(497)	(492)
Proved Undeveloped (PUD)	31	618	3,152	1,143	10,512	17,584	5,467
Total Proved (1P)	**138**	**2,059**	**10,612**	**3,828**	**11,367**	**68,538**	**24,751**

Table 5: Net Reserves and Net Present Value of the Company's acreage in Oklahoma and Kansas as of 1 Jul 2017

The directors present their report, together with the financial statements, on the consolidated entity (referred to hereafter as the 'group') consisting of AusTex Oil Limited (referred to hereafter as the 'company' or 'parent entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2017.

Directors
The following persons were directors of AusTex Oil Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Richard Adrey
Nicholas Stone
Russell Krause
Mark Paton (appointed 20 April 2017)
Michael Stone (resigned 5 April 2017)
Justin Clyne (resigned 20 April 2017)

Principal activities
The principal activities of the company consisted of production and development of oil and gas leases in Oklahoma USA and focusing on growth acquisition opportunities. There has been no significant change in the nature of these activities during the year.

Dividends
There were no dividends paid, recommended or declared during the current or previous financial half-year.

Review of operations
The loss for the group after providing for income tax and non-controlling interest amounted to US$8,262,899 (30 June 2016: US$4,161,782).

The directors' report includes the operational highlights, the summary comparison of results and the review of operations report as presented above.

Significant changes in the state of affairs
There were no significant changes in the state of affairs of the group during the financial half-year.

Matters subsequent to the end of the financial half-year
On July 13, 2017, the Company and MacQuarie Bank Limited agreed that the Company would pay $5,750,000 as an immediate principal pay down of the outstanding Term Loans. Additionally, it was agreed that the $5,400,000 restricted cash would also be applied as a partial prepayment of the Term Loans. Accordingly, a total of $11,150,000 was applied as a reduction of the Term Loans on July 14, 2017, leaving a remaining principal balance of $5,000,000. The Bank also agreed to waive the requirement under the loan agreement to deliver a Reserve Report dated as of July 1, 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Auditor's independence declaration
A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out immediately after this directors' report.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the Corporations Act 2001.

On behalf of the directors

R Adrey
Managing Director

31 August 2017
Sydney

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Sydney NSW 2000
Australia

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF AUSTEX OIL LIMITED

As lead auditor for the review of AusTex Oil Limited for the half-year ended 30 June 2017, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AusTex Oil Limited and the entities it controlled during the period.

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 31 August 2017

General information

The financial statements cover AusTex Oil Limited as a group consisting of AusTex Oil Limited and the entities it controlled at the end of, or during, the half-year. The financial statements are presented in US dollars, which is AusTex Oil Limited's functional and presentation currency.

AusTex Oil Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Suite 2, Level 10
70 Phillip Street, Sydney
NSW 2000
Australia

The company is limited by shares which are publicly listed on the Australian Securities Exchange ('ASX') and the OTCQX International. A description of the nature of the group's operations and its principal activities are included in the directors' report, which is not part of the financial statements.

The financial statements were authorised for issue, in accordance with a resolution of directors, on 31 August 2017.

AusTex Oil Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2017

	Note	Consolidated 30 June 2017 US$	Consolidated 30 June 2016 US$
Revenue			
Sales revenue		4,061,777	3,080,562
Net gains / (loss) from derivatives		431,035	(936,173)
		4,492,812	2,144,389
Cost of sales		(2,284,861)	(1,499,958)
Gross profit		2,207,951	644,431
Expenses			
Depreciation and amortisation expense		(1,725,432)	(1,949,410)
Other production costs		(560,660)	(546,215)
General and administrative expenses		(1,241,146)	(1,346,277)
Share based payment and option expense		(340,450)	(457,206)
Impairment of assets	7	(6,172,498)	-
Other income		13,928	9,433
Finance costs		(463,851)	(539,566)
Loss before income tax expense		(8,282,158)	(4,184,810)
Income tax expense		-	-
Loss after income tax expense for the half-year		(8,282,158)	(4,184,810)
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		28,053	(11,447)
Other comprehensive income for the half-year, net of tax		28,053	(11,447)
Total comprehensive income for the half-year		(8,254,105)	(4,196,257)
Loss for the half-year is attributable to:			
Non-controlling interest		(19,259)	(23,028)
Owners of AusTex Oil Limited		(8,262,899)	(4,161,782)
		(8,282,158)	(4,184,810)
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		(19,259)	(23,788)
Owners of AusTex Oil Limited		(8,234,846)	(4,172,469)
		(8,254,105)	(4,196,257)
		Cents	**Cents**
Basic earnings per share	15	(1.47)	(0.74)
Diluted earnings per share	15	(1.47)	(0.74)

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

AusTex Oil Limited
Statement of financial position
As at 30 June 2017

	Note	Consolidated 30 June 2017 US$	31 December 2016 US$
Assets			
Current assets			
Cash and cash equivalents	14	11,664,621	13,540,401
Trade and other receivables		605,132	927,437
Inventories		430,347	448,654
Derivative financial instruments	4	61,512	-
Restricted cash	5, 14	5,400,000	5,400,000
Other		158,112	198,125
Total current assets		18,319,724	20,514,617
Non-current assets			
Other financial assets		64,300	87,650
Property, plant and equipment	6	1,943,300	2,055,120
Oil and gas assets	7	22,600,523	29,498,852
Total non-current assets		24,608,123	31,641,622
Total assets		42,927,847	52,156,239
Liabilities			
Current liabilities			
Trade and other payables		477,321	589,245
Borrowings	8	16,179,636	17,194,050
Derivative financial instruments		6,806	207,684
Total current liabilities		16,663,763	17,990,979
Non-current liabilities			
Borrowings	9	15,310	30,069
Provisions		459,715	432,477
Total non-current liabilities		475,025	462,546
Total liabilities		17,138,788	18,453,525
Net assets		25,789,059	33,702,714
Equity			
Issued capital	10	90,197,424	90,197,424
Reserves	11	3,031,161	2,662,658
Accumulated losses		(67,591,680)	(59,328,781)
Equity attributable to the owners of AusTex Oil Limited		25,636,905	33,531,301
Non-controlling interest		152,154	171,413
Total equity		25,789,059	33,702,714

The above statement of financial position should be read in conjunction with the accompanying notes

AusTex Oil Limited
Statement of changes in equity
For the half-year ended 30 June 2017

Consolidated	Share capital US$	Reserve note US$	Accumulated losses US$	Non-controlling interest US$	Total equity US$
Balance at 1 January 2016	90,014,494	2,056,023	(50,424,706)	218,521	41,864,332
Loss after income tax expense for the half-year	-	-	(4,161,782)	(23,028)	(4,184,810)
Other comprehensive income for the half-year, net of tax	-	(11,447)	-	-	(11,447)
Total comprehensive income for the half-year	-	(11,447)	(4,161,782)	(23,028)	(4,196,257)
Transactions with owners in their capacity as owners:					
Share-based payments	-	88,909	-	-	88,909
Options expense	-	368,297	-	-	368,297
Balance at 30 June 2016	90,014,494	2,501,782	(54,586,488)	195,493	38,125,281

Consolidated	Share capital US$	Reserves US$	Accumulated losses US$	Non-controlling interest US$	Total equity US$
Balance at 1 January 2017	90,197,424	2,662,658	(59,328,781)	171,413	33,702,714
Loss after income tax expense for the half-year	-	-	(8,262,899)	(19,259)	(8,282,158)
Other comprehensive income for the half-year, net of tax	-	28,053	-	-	28,053
Total comprehensive income for the half-year	-	28,053	(8,262,899)	(19,259)	(8,254,105)
Transactions with owners in their capacity as owners:					
Share-based payments	-	49,240	-	-	49,240
Options expense	-	291,210	-	-	291,210
Balance at 30 June 2017	90,197,424	3,031,161	(67,591,680)	152,154	25,789,059

The above statement of changes in equity should be read in conjunction with the accompanying notes

AusTex Oil Limited
Statement of cash flows
For the half-year ended 30 June 2017

	Consolidated	
	30 June 2017	**30 June 2016**
	US$	**US$**
Cash flows from operating activities		
Receipts from customers	4,506,964	5,172,066
Interest received	207	2,616
Payments to suppliers and employees	(4,054,623)	(3,497,471)
Finance costs	(463,851)	(539,566)
Other receipts	13,721	6,817
Net cash from operating activities	2,418	1,144,462
Cash flows from investing activities		
Payments for plant and equipment	(50,600)	(23,211)
Payments for development expenditures	(837,183)	(623,070)
Net cash used in investing activities	(887,783)	(646,281)
Cash flows from financing activities		
Repayment of borrowings	(1,029,173)	(317,896)
Cash restricted under new loan arrangement	-	(8,000,000)
Net cash used in financing activities	(1,029,173)	(8,317,896)
Net decrease in cash and cash equivalents	(1,914,538)	(7,819,715)
Cash and cash equivalents at the beginning of the financial half-year	13,540,401	24,439,933
Effects of exchange rate changes on cash and cash equivalents	38,758	17,784
Cash and cash equivalents at the end of the financial half-year	11,664,621	16,638,002

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Going concern

The consolidated financial statements of the Group have been prepared on a going concern basis, which indicates continuity of business activities and the realisation of assets and settlement of liabilities in the normal course of business.

The Group's ability to continue to operate as a going concern is dependent upon its ability to reach favourable outcomes with respect to (1) its satisfaction of amounts due the holders of its Redeemable Preference B Shares ("RPB") which have a put option to the Company for the payment of $16.3 million due in October 2017. In addition on 14 March 2017, the Company received a Shareholder Redemption Notice from one of the Company's minority preference shareholders asserting that they are entitled to redeem its preference shares and receive US$3,773,706. Legal action against the Company by the preference shareholder has been filed. See Note 10 for additional details; and (2) the Company's current term loan agreement expires in October 2017 and a new credit facility will likely be needed as a replacement. See Note 8 for additional details. As at 30 June 2017, the Group held $11,664,621 in cash and cash equivalents and $5,400,000 in cash restricted to the purpose of repaying the current term loan. Other liquid assets totalled $1,255,103.

Based on the matters above, there are events or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business.

At the date of this report, the Directors are of the opinion that there are reasonable grounds to assert that the Group will continue as a going concern. In arriving at this conclusion, the Directors considered that:

The Company continues to actively work with the majority RPB Shareholder to resolve the put option issue, the outcome of which is uncertain. The Company has also had discussions with other lending sources for credit facilities beginning upon the termination of its present term loan facility. Finalization of a new credit facility is subject to execution of related agreements.

In the event that the put option is exercised and to avoid default, the Company will need to either raise additional financing via equity or debt or a combination of these; sell a substantial portion of its assets; seek a variation or suspension of the terms of the put right or any combination of the above.

Should the Group not be able to address the above matters, it may be required to realise its assets and discharge its liabilities other than in the ordinary course of business, and at amounts that differ from those stated in the financial statements. The financial report does not include any adjustments relating to the recoverability and classification of asset carrying amounts or liabilities that may be necessary should the entity not continue as a going concern and meet its debts as and when they fall due.

Note 2. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2017 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2016 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period.

Consolidation
The consolidated financial report includes the consolidation of AusTex Oil Limited and its subsidiary entities as follows:

Note 2. Significant accounting policies (continued)

Consolidated Entities	Place of incorporation	% Owned
AusTex Oil Limited (Parent of)	Australia	
- AusTex Oil Holdings LLC (Parent of)	Oklahoma, USA	100
- IEC Holdings LLC (Parent of)	Oklahoma, USA	100
- International Energy Corporation (Oklahoma)	Oklahoma, USA	100
- International Energy Company LLC	Oklahoma, USA	99
- International Oil & Gas LLC (Joint Venture)	Oklahoma, USA	50
- International Properties Partners, LLC	Oklahoma, USA	100

Impairment of assets
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that an asset may be impaired. If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of an asset is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is an impairment loss which is recognised in the consolidated statement of profit or loss unless the relevant asset was a revalued asset is in which case the impairment loss is treated as a revaluation decrease.

An impairment loss is reversed if the reversal can be related to an event occurring after the impairment loss was recognised. A reversal of an impairment loss is recognised in the consolidated statement of profit or loss, unless the relevant loss was carried at fair value in which case the reversal is treated as a revaluation increase.

The Group assesses at each reporting date whether there is any indication that an impairment loss recognised in prior periods for assets other than goodwill may no longer exist or may have decreased. If any such indication exists, the recoverable amounts of those assets are estimated.

The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation other than goodwill is recognised immediately in profit or loss. Any reversal of an impairment loss of a revalued asset is treated as a revaluation increase.

New or amended Accounting Standards and Interpretations adopted
The group has adopted all of the new or amended Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new or amended Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 3. Operating segments

Identification of reportable operating segments
The consolidated entity operates predominantly in one operating segment, being the exploration, development and production of hydrocarbons in the USA. This operating segment is based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources.

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements. The information reported to the CODM is on at least a monthly basis.

Major customers
The consolidated entity has a number of major customers to whom it sells oil and gas produced from its leases at Snake River in Kay County, Northern Oklahoma and leases surrounding Tulsa. The consolidated entity has ongoing contracts for the sale of oil and gas. The most significant customer, Rose Rock Midstream Crude LP, accounted for 56% (2016: 58%) of external revenue, followed by Mustang Gas Products LLC at 28% (2016: 26%) and Sunoco Inc at 10% (2016: 10%). There are no other significant customers with external revenues greater that 10%.

Geographical segment
The group's sale to external customer and non-current assets are predominantly in USA.

Note 4. Current assets - Derivative financial instruments

	Consolidated	
	30 June 2017	**31 December 2016**
	US$	**US$**
Derivative financial instruments	61,512	-

Refer to note 13 for further information on fair value measurement.

The company is exposed to price risk which relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for oil and gas. In conjunction with the term loan agreement covenant, the group is expected to hedge for price risk on 70% to 90% reasonable projected volume. Open positions were marked to market based on settlement prices and are classified in the financial statements according to expected maturity dates.

The company uses futures, swaps and options to meet customer needs and locks in market opportunities. These instruments are intended to be cash flow transactions and are not used for trading. Gains and losses related to contracts are reflected in revenue as these contracts are realised. Hedge accounting is not used for these commodity derivatives.

Note 5. Current assets - Restricted cash

	Consolidated	
	30 June 2017 US$	31 December 2016 US$
Restricted cash	5,400,000	5,400,000

The Bank loan agreement, as amended and as summarized in Note 8, required the Company to segregate $5.4 million of cash as restricted cash which would be available for the Bank to draw upon to prepay the loan principal in the event and to the extent that its PDP on the Oklahoma properties was below a ratio of 1.3 for such PDP to the outstanding loan principal balance. Notwithstanding this provision, the Company and the Bank agreed on July 13, 2017 that this $5.4 million of restricted cash be applied as a partial prepayment of the loan principal.

Note 6. Non-current assets - Property, plant and equipment

	Consolidated	
	30 June 2017 US$	31 December 2016 US$
Plant and equipment	3,539,140	3,525,757
Less: Accumulated depreciation	(1,595,840)	(1,470,637)
	1,943,300	2,055,120

Note 7. Non-current assets - Oil and gas assets

	Consolidated	
	30 June 2017 US$	31 December 2016 US$
Oil and gas assets - at cost	85,234,325	84,417,502
Less: Accumulated amortisation	(38,903,751)	(37,361,097)
Less: Impairment	(23,730,051)	(17,557,553)
	22,600,523	29,498,852

Reconciliations
Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	US$	Total US$
Balance at 1 January 2017	29,498,852	29,498,852
Additions	837,183	837,183
Amortisation expense	(1,563,014)	(1,563,014)
Impairment of assets	(6,172,498)	(6,172,498)
Balance at 30 June 2017	22,600,523	22,600,523

Note 7. Non-current assets - Oil and gas assets (continued)

Impairment charge for the period

The Company recognized an impairment charge of $6,172,498 in the six months 30 June 2017. The Snake River field along with two lesser fields, Tulsa and surrounds and Ellsworth together constitute one cash generating unit accounting for $5,389,094 of such impairment charge and the Cushing field from the Southwest acquisition comprise a separate cash generating unit accounting for $783,404 of such impairment charge. These impairment charges were principally the result of higher overall production maintenance costs experienced in the 2017 six-month period and a decrease in the oil and gas forward price curves.

The recoverable amount of oil and gas properties is determined on a value in use basis which represents the future value of cash flows expected to be derived from the oil and gas properties. Determination of the future cash flows are based upon a number of key assumptions including projected production costs over the life of each well with a basis on current cost experience, investment cost to complete the Proved Underdeveloped properties (PUDs), and future commodity prices for oil and gas based upon published forward price curves available to the marketplace. In addition for purposes of calculating impairment a cost factor for overhead and administrative costs is also used to further reduce the value of the oil reserves based on a per well per month cost factor available from a standard industry published source known as a COPAS charge.

A discount rate is applied against the projected cash flows to account for (1) the time value of money (represented by the current market risk free rate of interest) and (2) to recognize the price of uncertainty inherent in the asset. The discount used by the Company in its calculation of impairment is 8% (approximates a 10% discount rate for the market value of oil and gas reserve without the effects of the additional overhead COPAS charges).

Note 8. Current liabilities - Borrowings

	Consolidated	
	30 June 2017 US$	31 December 2016 US$
Lease liability (secured)	29,636	44,050
Term loan (secured)	16,150,000	17,150,000
	16,179,636	17,194,050

Total secured liabilities
The term loan agreement was entered on 23 October 2014 with Macquarie Bank Limited (Houston). The terms of the loan should be read in conjunction with the group's annual financial statements as at 31 December 2016.

Assets pledged as security
The lease liabilities are effectively secured by the underlying leased assets and is predominantly related to field vehicles.

Note 8. Current liabilities - Borrowings (continued)

Financing arrangements
Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	30 June 2017 US$	31 December 2016 US$
Total facilities		
Term loan *	20,000,000	20,000,000
Used at the reporting date		
Term loan *	20,000,000	20,000,000
Unused at the reporting date		
Term loan *	-	-

* Additional availability at discretion of lender of $40 million

Term loan covenants and amendment

On October 23, 2014, the consolidated entity entered into a term loan agreement (the "Loan") with Macquarie Bank Limited (Houston) (the "Bank") which provided for the following:

Immediate Availability:	$20 million
Additional Availability at Discretion of Lender:	$40 million
Interest Rate:	1 month LIBOR +4.50%
Maturity:	Partial amortization with final maturity in October 2017
Use of Proceeds:	Acquisition and development of oil and gas properties and related costs
Reserve Assessment:	Solely based on third party reserve engineering.
Key Financial Covenants:	1.3x Proved Developed Reserve PV 10 coverage to loan 1.0x Current Ratio Average ("PDP PV Ratio") 70% to 90% reasonable projected volume to be hedged for price risk for 2 to 4 years
Certain Other Covenants:	No dividends/equity buy-back or sale of collateral; annual administrative expenses not to exceed 20% of PV 10
Fees:	Lender 1% on drawdown; 0.5% commitment fee on any used $20 million of immediate availability
Collateral:	Substantially all production properties

On July 14, 2017, $11,150,000 of this loan was prepaid by the Company. See Note 14 for additional details.

Note 9. Non-current liabilities - Borrowings

	Consolidated	
	30 June 2017 US$	31 December 2016 US$
Lease liability (secured)	15,310	30,069

Note 9. Non-current liabilities - Borrowings (continued)

Total secured liabilities
The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	30 June 2017 US$	31 December 2016 US$
Loan (secured)	16,150,000	17,150,000
Lease liability (secured)	44,946	74,119
	16,194,946	17,224,119

Assets pledged as security
The loan is secured by first mortgages over the group's land and buildings.

Lease liabilities are secured by the underlying leased assets, is predominately related to field vehicles and revert to the lessor in the event of default.

Note 10. Equity - issued capital

	Consolidated			
	30 June 2017 Shares	31 December 2016 Shares	30 June 2017 US$	31 December 2016 US$
Ordinary shares - fully paid	560,571,402	560,571,402	72,697,424	72,697,424
Preference shares - fully paid	220,125,786	220,125,786	17,500,000	17,500,000
	780,697,188	780,697,188	90,197,424	90,197,424

Ordinary shares
Ordinary shares entitle the holder to participate in dividends and the proceeds on the winding up of the company in proportion to the number of and amounts paid on the shares held. The fully paid ordinary shares have no par value and the company does not have a limited amount of authorised capital.

On a show of hands every member present at a meeting in person or by proxy shall have one vote and upon a poll each share shall have one vote.

Note 10. Equity - issued capital (continued)

Preference shares
Preference shares have been issued as a source of long-term finance. In accordance with the Subscription Agreement dated 18 October 2013 and following the passing of resolutions at an Extraordinary General Meeting of Shareholders held on 24 January 2014, the consolidated entity raised USD $17.5 million through the issue of 58,942,656 Redeemable Convertible Preference A Shares (RCPA shares) and 57,724,011 Redeemable Preference B Shares (RPB shares).

The dividend rate is 11.75% per annum and dividends were payable quarterly on 31 March, 30 June, 30 September and 31 December. The conversion price of each preference share is US $0.15 per RCPA and RPB share and are redeemable after four (4) years.

In 2014, 52,269,902 Redeemable Convertible Preference A (RCPA) Shares and 51,189,217 Redeemable Preference B (RPB) Shares were issued as a Dividend Termination Payment at USD $0.15 per share on the terms approved by shareholders at the Company's EGM held on 24 January 2014. The Company no longer has any obligation to pay preference share dividends. The RCPA Shares have a call option in favour of the Company whereas the RPB Shares have both a put and call option with the put option suspended for the duration of the Term Loan held with Macquarie Bank. The Term Loan is due to mature in October 2017 and in the event that the put option is exercised thereafter the Company will need to either raise additional financing via equity or debt or a combination of these, sell a substantial portion of its assets, seek a variation or further suspension of the terms of the put right or any combination of these. The Company is actively working with the majority RPB Shareholder to resolve this issue at the earliest time prior to the maturity of the Macquarie Term Loan. Michael Stone, a former Board Chairman, and Nick Stone, a current Board Member and former Co-Managing Director, through a related entity, are the principal holders of the RCPA Shares and RPB Shares.

On 14 March 2017, the Company received a Shareholder Redemption Notice from Weider Health and Fitness, one of the Company's minority preference shareholders, asserting that they entitled to redeem 25,158,040 preference shares and receive payment of the amount of US$3,773,706. On 27 March 2017, the Company received a 'Summons in a Civil Action' (Summons) filed in the United States District Court for the Southern District Of New York by Weider Health and Fitness and Bruce Forman as Plaintiffs and AusTex Oil and its subsidiaries as Defendants. The Summons alleges, inter alia, that the Company is in breach of the terms of the Subscription Agreement approved by shareholders at the Extraordinary General Meeting on 24 January 2014. The Company disputes that there has been a breach of the Subscription Agreement and has engaged lawyers in the state of New York to defend the proceedings.

Note 11. Equity - Reserves

	Consolidated	
	30 June 2017 US$	31 December 2016 US$
Foreign currency reserve	(1,297,305)	(1,325,358)
Share-based payments reserve	289,543	240,303
Options reserve	4,038,923	3,747,713
	3,031,161	2,662,658

Note 12. Equity - Dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 13. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Derivative financial instruments have been valued using quoted market rates (level 1). This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates. All derivative financial instruments remain valued as at level 1 assets or continue to be valued as level 1 assets.

Note 14. Events after the reporting period

On July 13, 2017, the Company and MacQuarie Bank Limited agreed that the Company would pay $5,750,000 as an immediate principal pay down of the outstanding Term Loans. Additionally, it was agreed that the $5,400,000 restricted cash would also be applied as a partial prepayment of the Term Loans. Accordingly, a total of $11,150,000 was applied as a reduction of the Term Loans on July 14, 2017, leaving a remaining principal balance of $5,000,000. The Bank also agreed to waive the requirement under the loan agreement to deliver a Reserve Report dated as of July 1, 2017.

No other matter or circumstance has arisen since 30 June 2017 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 15. Earnings per share

	Consolidated	
	30 June 2017 US$	**30 June 2016 US$**
Loss after income tax	(8,282,158)	(4,184,810)
Non-controlling interest	19,259	23,028
Loss after income tax attributable to the owners of AusTex Oil Limited	(8,262,899)	(4,161,782)
	Number	**Number**
Weighted average number of ordinary shares used in calculating basic earnings per share	562,571,402	562,571,402
Weighted average number of ordinary shares used in calculating diluted earnings per share	562,571,402	562,571,402
	Cents	**Cents**
Basic earnings per share	(1.47)	(0.74)
Diluted earnings per share	(1.47)	(0.74)

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;

- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2017 and of its performance for the financial half-year ended on that date; and

- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the Corporations Act 2001.

On behalf of the directors

R Adrey
Managing Director

31 August 2017
Sydney

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INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of Austex Oil Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AusTex Oil Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the Group comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Group's financial position as at 30 June 2017 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of AusTex Oil Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of AusTex Oil Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AusTex Oil Limited is not in accordance with the *Corporations Act 2001* including:

(i) Giving a true and fair view of the Group's financial position as at 30 June 2017 and of its performance for the half-year ended on that date; and

(ii) Complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

Emphasis of matter – Material uncertainty relating to going concern

We draw attention to Note 1 in the financial report which describes the events and/or conditions which give rise to the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern and therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Our conclusion is not modified in respect of this matter.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few

Partner

Sydney, 31 August 2017