



AUSTEX COMPLETES FIRST MAJOR ACQUISITION

AusTex Oil Limited

A.C.N. 118 585 649

ASX: AOK

OTCQX: ATXDY

Corporate Snapshot

Market Cap:	AU\$40m @ \$0.05 p/share
Shares on issue	
Ordinary:	562.5m
Preference:	220.1m
Options:	38m
Shareholders:	1,954

Directors

Michael Stone

(Non-Executive Chairman)

Richard Adrey

(Co-Managing Director)

Nick Stone

(Co-Managing Director)

Russell Krause

(Non-Executive Director)

Justin Clyne(Non-Executive Director &
Company Secretary)

Contact

Level 9, 2 Bligh Street,
Sydney NSW 2000 AUSTRALIA
Tel +61 2 9238 2363
Fax +61 2 8088 7280

www.austexoil.com
<https://twitter.com/AusTexAOK>

ACQUISITION HIGHLIGHTS

- AusTex completes first new major acquisition as part of its growth strategy;
- Approximately 1,000 acres near Cushing County, Oklahoma, including yards and structures;
- Currently producing 160 BOPD;
- AusTex is the 50% Owner and Operator of the new Joint Venture;
- Total acquisition cost of US\$6.5M (US\$3.25m for 50%); and
- Significant boost to reserves estimated at US\$9.5m in today's pricing.

United States oil and gas producer, AusTex Oil Limited (**ASX: AOK, OTCQX: ATXDY, AusTex or Company**), is pleased to advise shareholders that the Company has now completed its first major acquisition as part of its growth strategy comprising a 50% working interest in ~1,000 acres in Creek and Lincoln counties of Oklahoma. The acreage currently produces around 160 bopd of gross production. AusTex will be the operator of the new joint venture and owns the assets in conjunction with a local Oklahoma-based private family company.

This acquisition represents the culmination of almost 18 months of effort in the Drumright area. The Drumright Dome (on which most of these wells sit) has been a prolific producer since the early 1900s, and these wells were generally drilled between the 1960s and 1980s. The age of the wells creates compelling stability in the production declines (unlike the newer wells we and others drill in the area). That stability creates very compelling long term value and offers significant value upside in a rising oil price environment as we no longer need to match the recovery with the "flush" production at the beginning of a well's life. Not only have we therefore captured good value at the forward curve on the buy, we have also secured a compelling, long duration option on oil price upside. Furthermore, the family selling this asset has not invested material capital in these wells for many years, and as such we believe there are significant near term opportunities to recompleat and workover wells to lift production.

This acquisition has been complicated given the family dynamics surrounding the seller's decision making, but we believe the perseverance has created a compelling purchase for the Company. We are buying at a good price at the forward curve, we have created significant option value in the stability of the decline curves with respect to rising oil prices, and we have the ability to lift production by spending smaller amounts of capital per well (which have been capital starved historically). There are a few new drilling opportunities in the acreage, and while we haven't purchased the asset with any value attributed to the Proven Undeveloped Reserves (PUD's), we believe they both exist and are valuable.

Finally, we believe that this acquisition is likely to create additional opportunities to add to the production in this area via additional acquisitions of struggling producers in the area and discussions have already commenced in this respect.

In addition to the production, as part of the acquisition, AusTex is also acquiring 200 acres (net) of surface real estate and equipment. The independent engineering

report reviewed as part of the acquisition states that on a PV10 basis at today's pricing, there are gross reserves of US\$9.5M (US\$4.25m net to AusTex). This is in addition to the real estate which has been independently appraised at approximately US\$2M (for 100%). AusTex's share of the purchase price is US\$3.25m.

Executive Commentary

Commenting on the acquisition, AusTex's Co-Managing Director, Richard Adrey said:

"This acquisition brings to AusTex a number of benefits including new and prospective acreage, reserves, production, valuable real estate and equipment. It is testament to the patience shown by the Company in conservatively and efficiently allocating its capital since a downturn in commodity prices."

"Our Management team is quite excited about this expansion and establishing this foothold of production on the Drumright Dome and is separately in discussions with respect to acquiring additional production in the area given AusTex will be establishing a second operations centre with its own crews and equipment to hold operations expenses low. This area fits our skill set well – understanding how to optimize production while keeping expenses in control. It also reflects our belief that while oil prices will recover we cannot perfectly ascribe when that will happen. As such, stable production is a rare and valuable commodity among US onshore operators today."

"We look forward to reporting future production improvements and additional lease acquisitions in the near future."

ENDS

For further information please contact:

Richard Adrey /Nick Stone
Co-Managing Directors
USA + 1 918-743-7300

Justin Clyne
Non-Executive Director & Company Secretary
AUS + 61 2 9993 4407

<https://twitter.com/AusTexAOK>

About AusTex

AusTex Oil Ltd is an Exploration and Production company that is focused on the development of oil and gas leases in the USA. The company produces oil and gas in Oklahoma and Kansas. AOK holds interests in oil and gas leases, including acreage in the highly prospective Mississippi Lime Play in Northern Oklahoma and Kansas as well as in the Drumright Dome in the Lincoln and Creek Counties of Oklahoma. The Company's flagship is the 100%-owned Snake River Project in the Mississippi Lime Play delivering annual production in 2015 of 363,600 BOE.



A detailed topographic map of Oklahoma, showing county boundaries, major cities, and geographical features. Three specific areas are highlighted with red circles: Kay County in the northwest, the Tulsa Area in the east, and the Drumright Dome in the south-central region. The map includes labels for various locations such as Muskogee, Bartlesville, Tulsa, and several Indian Reservations. The Drumright Dome is a prominent geological feature in the south-central part of the state.

Kay County

Tulsa Area

Drumright Dome