ABN 42 118 585 649

Interim Financial Report

Half-Year Ended

30 June 2014

(The information in this Interim Financial Report should be read in conjunction with the Company's most recent Annual Report lodged with ASX on 24 April 2014)

Directors

Michael Stone	(Non-Executive Chairman - USA)
Richard Adrey	(Managing Director - USA)
Nicholas J Stone	(Non-Executive Director - USA)
Russell Krause	(Non-Executive Director - Australia)
Justin Clyne	(Non-Executive Director - Australia)

Company Secretary

Justin Clyne

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Solicitors

Gadens Lawyers
77 Castlereagh Street
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Bankers

ANZ Banking Group Limited
Martin Place
Sydney, NSW, 2000

Stock Exchange Listings

Australian Securities Exchange
20 Bridge Street
Sydney, NSW, 2000
(AusTex Oil Limited trades on the Australian Securities Exchange under the code AOK, the OTCQX under the code ATXDY and the TSXV under the code ATO)

Auditors

Hayes Knight (NSW) Pty Ltd
Level 2/115 Pitt Street
Sydney, NSW, 2000

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OPERATIONAL HIGHLIGHTS

- RECORD 6 MONTHS PRODUCTION
- GROSS BOE PRODUCED UP 103% vs 1H 2013
- DAILY PRODUCTION UP 98% AT JUNE 30, 2014 vs 2013
- 74% LIQUIDS BY VOLUME (55% Oil, 19% NGLs)
- 13 NEW WELLS PRODUCING IN 2014 FIRST HALF
- 3,200 ADDITIONAL NET ACRES IN THE SNAKE RIVER AREA IN 1H 2014
- PROFITABILITY UP USD $2,875,242 vs 1H 2013
- REVENUES UP 103% vs 1H 2013
- USD $2.3 mil POSITIVE NET INCOME
- OIL & GAS ASSETS INCREASED BY USD $13.0 mil in 2014 FIRST HALF

ALL RESULTS AND FINANCIAL STATEMENTS ARE PRESENTED IN $USD

SUMMARY COMPARISON OF RESULTS

	1H 2014	1H 2013
Gross Oil & Gas Production (BOE)	199,210	98,596
June Average Monthly Rate (BOE/D)	1,227	621
Wells in Production	44	16
Net Acres (Core Kay County Area)	8,700	5,500
1P (Proved) Reserves (BOE)	18,937m	7,585m
1P (Proved) Reserves (PV10, $USD)	$338.4m	$197.7m
Net Revenue ($USD)	$9,926,939	$4,771,803
EBITDAX ($USD)	$5,810,200	$1,963,679
Earnings per Share ($USD)	$0.0051	($0.0014)
	30-Jun-14	**31-Dec-13**
Cash Balance ($USD)	$10,712,138	$16,999,489
Total Debt ($USD)	$254,913	$4,448,932
Oil & Gas Assets ($USD)	$49,457,311	$36,410,162

DIRECTORS' REPORT

Your Directors submit their report together with the financial report of the Consolidated Entity, being AusTex Oil Limited (the "Company") and its controlled entities (the Group) for the half-year ended 30 June 2014.

Directors

The following persons were Directors of the Company during the whole or part of the half-year and up to the date of this report.

Michael Stone – USA	Non-Executive Chairman (appointed 1 May 2014)
Richard Adrey – USA	Managing Director (Interim Chairman until 1 May 2014, Executive Chairman until 1 February 2014)
Nicholas J Stone – USA	Non-Executive Director
Russell Krause – Australia	Non-Executive Director
Justin Clyne - Australia	Non-Executive Director (appointed 19 June 2014)

Previous Directors

Daniel Lanskey - Australia	Managing Director until 31 January 2014 and Non-Executive Director 19 June 2014
Patricia Kay Philip - Australia	Non-Executive Director until 19 June 2014
Luis Vierma - USA	Non-Executive Director until 22 April 2014

Directors were in office for the entire half-year period unless otherwise stated:

Company Secretaries

Justin Clyne	Company Secretary (appointed 1 January 2014)
Tom Bloomfield	Company Secretary (resigned 24 January 2014)

Review of Operations and Financial Results

The Directors' Report includes the Operational Highlights on page 4 and the Summary Comparison of Results on page 5 and the following other significant activities for the half-year ended 30 June 2014. The principal activities of the company consisted of production and development of oil and gas leases in Oklahoma and Kansas in the United States of America.

As a result of the change in the presentation currency, the financial information is presented in US dollars.

Operating Results

The operating result of the Group increased to a profit of USD $2,289,781 (2013: Loss USD $585,461) principally due to increase in revenue and notwithstanding an increase in depletion amortization charge as explained in Note 2.2 of the accounts.

Revenue & Production Growth

Gross Revenue from oil and gas sales from leases held by the Group for the 6 months ended 30 June 2014 was USD $13,318,013 compared to USD $6,547,488 for the 6 months ending 30 June 2013. Production from the leases held by the company for the 6 months ended 30 June 2014 was 199,210 BOE which was comprised of 109.7 MBBLs of Oil and 537.0 MMCF of Gas compared to 98,596 BOE (63.0 MBBLs Oil and 213.3 MMCF Gas) for the 6 months ended 30 June 2013.

Exploration & Development

Oklahoma

AusTex operates leases in Oklahoma through its two wholly owned subsidiaries, International Energy Corporation (Oklahoma) and International Energy Corporation (Northern Oklahoma). During the 6 months ended 30 June 2014, exploration and development was focused on the Snake River Project in Kay County, Oklahoma. AusTex, as Operator, drilled and completed 13 new vertical production wells on the project during the 6 months ended 30 June 2014. At the end of June 2014, 44 wells were in production (including 4 non-operated wells) with 18 wells under completion. Oil and gas production on the project has continued to increase as additional wells are drilled and completed. The Snake River Project remains the core development focus area of the company.

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

Kansas

AusTex is the major working interest partner through its wholly owned subsidiary, International Energy Corporation (Kansas) with Castle Resources Inc., as operator and holds non-operating interests in oil and gas leases located in the State of Kansas. During the 6 months ended 30 June 2014, no new exploratory wells were drilled in Kansas. A review of the log and seismic data has been undertaken and a decision has been made to not pursue further exploratory drilling on the Kansas acreage at this time. AusTex recognized asset impairment expense of $735,367 and $1,578,125 in the six month periods ending June 30, 2014 and 2013, respectively.

Lease Summary

Pursuant to Listing Rule 5.4.3, a schedule of the Company's leases and interests therein as at 30 June 2014 is provided as follows (gross acreage shown).

Lease Name	Acreage	WI	NRI	Status	County, State
Snake River	~8,700	100%	81.25%	Development Producing	Kay County, OK
Tulsa and surrounds	~860	100%	81.25%	Producing	Tulsa, OK
Cooper	3,830	53%	38%	Development Producing	Sheridan, KS
Ellsworth	960	50%	38%	Development Producing	Ellsworth, KS
Colby	8,955	70%	58.8%	Exploration	Thomas, KS

Table 1: AusTex Oil's Lease Operating Schedule as at 30 June, 2014.

Oil & Gas Reserves

The Company's petroleum reserves at 31 December 2013 as determined by the independent reserves and economic evaluation ("Reserve Report") prepared by Pinnacle Energy, LLC (Pinnacle) for the Snake River Project in Kay County, Oklahoma and the Sweet Project in Pawnee and Tulsa Counties of Oklahoma was released to the market on 24 March 2014. Highlights of the Reserve Report included 1P Reserves of 13.9mboe and 2P Reserves of 16.75 mboe. Subsequent to the end of the half year, the Company released to the ASX an updated Reserve Report prepared by Pinnacle in relation to the Snake River Project only which is demonstrated in Table 2.

Reserve Class	Number of Properties	Net Reserves		Net Reserves	Net Capital	Net Cashflow	NPV Disc @ 10%
		Oil MMBL	Gas MMCF	MBOE (6:1)	M$	M$	M$
Proved Developed Producing (PDP)	30	768	5,226	1,639	0	72,968	41,122
Proved Non-producing (PNP)	14	598	2,192	963	5,740	45,063	24,288
Proved Undeveloped (PUD)	240	10,070	37,591	16,335	156,000	692,514	273,026
Total Proved (1P)	**284**	**11,436**	**45,009**	**18,937**	**161,740**	**810,545**	**338,436**
Probable Reserves	100	4,196	15,663	3,309	65,000	287,769	108,032
Total Non-Proved	**100**	**4,196**	**15,663**	**6,806**	**65,000**	**287,769**	**108,032**
Grand Total (2P)	**384**	**15,632**	**60,671**	**25,743**	**226,740**	**1,098,314**	**446,468**

Table 2: Net Reserves and Net Present Value of the Company's Snake River Project as at 1 July, 2014.

Auditor's Declaration

The auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 10 for the half-year ended 30 June 2014.

Signed in accordance with a resolution of the directors.

R. Adrey
Managing Director

29 August 2014

Hayes Knight
Accountants & Business Advisers

Hayes Knight (NSW) Pty Ltd
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AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE CORPORATIONS ACT 2001

To the Directors of AusTex Oil Limited

As auditor for the review of AusTex Oil Limited for the half-year ended 30 June 2014, I declare that, to the best of my knowledge and belief, there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the review; and

(ii) no contraventions of any applicable code of professional conduct in relation to the review.

Pran Rathod - Director Audit Services
Registered Company Auditor

Hayes Knight
Hayes Knight (NSW) Pty Ltd

Dated at Sydney, this 29 day of AUGUST 2014

Consolidated Income (Loss) Statements
For the half-year ended 30 June 2014 and 30 June 2013

	Note	30 Jun 2014 US$	Restated (Note 2.1) 30 Jun 2013 US$
Sales Revenue	2.5	13,318,013	6,547,488
Cost of Sales	2.5	(4,121,444)	(2,032,568)
Gross Profit		9,196,569	4,514,920
Operating Costs and Expenses			
Other Production Costs	2.5	(1,809,309)	(1,410,086)
General and Administrative Expenses		(1,577,060)	(1,503,487)
Asset impairment expense on capitalised exploration and developments costs		(735,367)	(1,578,125)
Depreciation and amortisation expense	2.2	(2,563,176)	51,594
Total Operating Costs and Expenses		(6,684,912)	(4,440,104)
Operating Income		2,511,657	74,816
Other			
Finance costs		(298,677)	(428,313)
Listing and Listing Advisory Costs (TSX, OTCQX)		-	(211,347)
Other Expense, Net of income	3	76,801	(20,616)
Total Other Expenses		(221,876)	(660,276)
Net Income (Loss) before income taxes		2,289,781	(585,461)
Income tax expense	4	-	-
Net Income (Loss) for the period		2,289,781	(585,461)
Earnings per share			
– Basic earnings per share	10	$0.0051	($0.0014)
– Diluted earnings per share	10	$0.0042	N/A

The consolidated income statement should be read in conjunction with the accompanying notes.

Consolidated Statements of Comprehensive Income
For the half-year ended 30 June 2014 and 30 June 2013

	30 Jun 2014 US$	Restated (Note 2.1) 30 Jun 2013 US$
Net Profit/(Loss) for the period	2,289,781	(585,461)
Other comprehensive income/(loss), net of tax		
Items that will be reclassified subsequently to profit and loss when specific conditions are met:		
Exchange difference on translation of foreign operations	(2,555)	455,975
Income tax relating to components of other comprehensive loss	-	-
Other comprehensive income for the period, net of tax	(2,555)	455,975
Total comprehensive income/(loss) for the period	2,287,226	(129,486)

The consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Consolidated Statements of Financial Position

As at 30 June 2014, 31 December 2013 and 1 January 2013

	Note	30 Jun 2014	Restated (Note 2.1) 31 Dec 2013	Restated (Note 2.1) 1 Jan 2013
		US$	US$	US$
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents		10,712,138	16,999,489	12,381,859
Trade and other receivables		2,818,520	1,918,665	1,070,681
Inventories		674,957	445,274	223,395
Other assets		33,929	397	269,421
TOTAL CURRENT ASSETS		14,239,544	19,363,825	13,945,356
NON-CURRENT ASSETS				
Property, plant and equipment	5	3,561,361	3,725,967	2,646,365
Exploration and evaluation assets	6	825,870	1,600,203	3,434,252
Oil and gas assets	7	49,457,311	36,410,162	23,648,384
Intangible assets		34,205	35,804	39,315
Other assets		166,791	127,745	107,825
TOTAL NON-CURRENT ASSETS		54,045,538	41,899,881	29,876,141
TOTAL ASSETS		68,285,082	61,263,706	43,821,497
LIABILITIES				
CURRENT LIABILITIES				
Trade and other payables		2,441,468	1,517,228	922,051
Borrowings	8	89,420	4,296,007	4,727,397
TOTAL CURRENT LIABILITIES		2,530,888	5,813,235	5,649,448
NON-CURRENT LIABILITIES				
Provisions		434,000	280,000	-
Borrowings	8	165,493	152,925	182,511
TOTAL NON-CURRENT LIABILITIES		599,493	432,925	182,511
TOTAL LIABILITIES		3,130,381	6,246,160	5,831,959
NET ASSETS		65,154,701	55,017,546	37,989,538
EQUITY				
Issued capital	9	89,842,657	78,926,563	61,431,723
Reserves		(4,146,898)	(1,078,178)	(1,692,803)
Accumulated losses		(20,541,058)	(22,830,839)	(21,749,382)
TOTAL EQUITY		65,154,701	55,017,546	37,989,538

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

Consolidated Statements of Changes in Equity
For the half-year ended 30 June 2014 and 30 June 2013

	Share Capital	Convertible Note Equity Reserve	Foreign Currency Translation Reserve	Options Reserve	Accumulated Losses	Total
	US$	US$	US$	US$	US$	US$
Balance (restated) at 1 January 2013	61,431,723	3,167,029	(5,608,353)	748,520	(21,749,382)	37,989,537
Comprehensive income (restated)						
Restated Net loss for the period	-	-	-	-	(585,461)	(585,461)
Other comprehensive income for the period	-	-	455,975	-	-	455,975
Total comprehensive income for the period	-	-	455,975	-	(585,461)	(129,486)
Restated Transactions with owners						
In their capacity as owners						
Restated Share issue costs	(5,160)	-	-	-	-	(5,160)
Options expense	-	-	-	75,718	-	75,718
Restated Total transactions with owners In their capacity as owners	(5,160)	-	-	75,718	-	70,558
Balance (restated) at 30 June 2013	61,426,563	3,167,029	(5,152,378)	824,238	(22,334,843)	37,930,609

Consolidated Statements of Changes in Equity
For the half-year ended 30 June 2014 and 30 June 2013

	Share Capital US$	Convertible Note Equity Reserve US$	Foreign Currency Translation Reserve US$	Options Reserve US$	Accumulated Losses US$	Total US$
Balance at 31 December 2013	78,926,563	3,167,029	(5,073,082)	827,875	(22,830,839)	55,017,546
Comprehensive income						
Net profit for the period	-	-	-	-	2,289,781	2,289,781
Other comprehensive loss for the period	-	-	(2,555)	-	-	(2,555)
Total comprehensive income for the year	-	-	(2,555)	-	2,289,781	2,287,226
Transactions with owners In their capacity as owners						
Issue of shares	10,980,286	-	-	-	-	10,980,286
Convertible note converted	-	(3,167,029)	-	-	-	(3,167,029)
Options expense reserve	-	-	-	100,864	-	100,864
Share issue costs	(64,192)	-	-	-	-	(64,192)
Total transactions with owners In their capacity as owners	10,995,033	(3,167,029)	-	100,864	-	7,849,929
Balance at 30 June 2014	89,921,596	-	(5,075,637)	928,739	(20,541,058)	65,154,701

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

Consolidated Statement of Cashflows

For the half-year ended 30 June 2014 and 30 June 2013

	30 Jun 2014 US$	Restated (Note 2.1) 30 Jun 2013 US$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	12,491,798	4,631,491
Interest received	20,733	19,669
Payments to suppliers and employees	(7,610,604)	(2,849,711)
Finance costs	(200,336)	(397,854)
Other receipts	50,466	26,438
Net cash provided by /operating activities	4,752,057	1,430,033
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for plant and equipment	(219,468)	(921,290)
Proceeds from the sale of plant and equipment	18,754	-
Payments for investments	-	(15,200)
Payments for acquisition of prospects	-	(332,873)
Payments for exploration, evaluation and development expenditures	(14,340,907)	(6,984,521)
Net cash (used in) investing activities	(14,541,621)	(8,253,884)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	3,451,644	-
Payments for costs of share issues	(62,252)	(5,732)
Repayment of borrowings	(41,306)	(26,728)
Proceeds from borrowings	60,682	121,060
Net cash provided by financing activities	3,408,768	88,600
Net (decrease) / in cash and cash equivalents	(6,380,796)	(6,735,251)
Cash and cash equivalents at beginning of period	16,999,489	12,381,859
Effect of exchange rates on cash holdings in foreign currencies	93,445	(63,586)
Cash and cash equivalents at end of period	10,712,138	5,583,022

Non-cash financing activities

(i) Share issue

During the period, 51,232,235 ordinary shares were issued as part of the consideration for the discharge of convertible notes. This issue is not reflected in the consolidated statement of cash flows (Refer Note 12 (b)).

The consolidated statement of cashflows should be read in conjunction with the accompanying notes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2014

NOTE 1: CORPORATE INFORMATION

AusTex Oil Limited ("the Company") is a company limited by shares incorporated in Australia and whose shares are publicly listed on the Australian Securities Exchange ("ASX"), the TSX Venture Exchange and the OTCQX International. The interim consolidated financial statements as at and for the six (6) month period ended 30 June 2014 ("the half-year financial report") comprises the Company and its subsidiaries (together reported as the "Group"). AusTex Limited is the ultimate parent entity of the Group.

The half-year report was authorised for issue with a resolution of the Directors on 29 August 2014.

NOTE 2: BASIS OF PREPARATION

These general purpose interim financial statements for half-year reporting period ended 30 June 2014 have been prepared in accordance with requirements of the Corporations Act 2001 and Australian Accounting Standard AASB 134: Interim Financial Reporting. The Group is a for profit entity for financial reporting purposes under Australian Accounting Standards.

The interim consolidated financial statements do not include all the information and disclosures normally required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2013 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. Material accounting policies adopted in the preparation of this financial report are included in these Notes to the Consolidated Financial Statements.

The preparation of the Half Year Interim Financial Report requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expense. Realized results may vary from these estimates and assumptions. The Judgments, estimates and assumptions, including key sources of estimation uncertainty are consistent with those applied and disclosed in the December 2013 Annual Report, except where qualified in these Notes.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the most recent annual financial statements, except where qualified in these Notes. Certain prior period comparatives have been reclassified to conform to the current period's presentation.

2.1 Change in Presentation Currency

An entity's presentation currency is the currency in which the financial statements are presented. An entity's functional currency is the currency of the primary economic environment in which the entity operates.

AusTex Oil Limited has experienced a period of sustained growth in US dollar revenue streams in the period to 30 June 2014. Consequently, the Directors have resolved to change its presentation currency from Australian dollars to US dollars being the Group's functional currency. The directors believe that changing the presentation currency to US dollars will enhance comparability with its industry peer group, the majority of which report in US dollars.

The change in presentation currency represents a voluntary change in accounting policy, which has been applied retrospectively. To give effect to the change in presentation currency, the assets and liabilities of entities with an Australian dollar functional currency at 1 January 2013 and 31 December 2013 were converted into US dollars at a fixed exchange rate of US$1:A$0.9630 as at 1 January 2013 and US$1:1269 at 31 December 2013 and the contributed equity, reserves and retained earnings were converted at applicable historical rates. Revenue and expenses for the half-year ended 30 June 2013 were converted at the average exchange rate of US$1:A$0.9849 for the reporting period, or at the exchange rates ruling at the date of the transaction to the extent practicable and equity balances were converted at applicable historical rates.

The above stated procedures resulted in a foreign currency translation reserve of US$5,608,353 on 1 January 2013 and US $5,073,082 on 31 December 2013. Earnings per share for 2014 has also been restated in US dollars to reflect the change in the presentation currency.

2.2 Change in Depletion Amortization

Oil and gas assets are amortized on a units of production basis over the life of the economically recoverable proved (1P) reserves based upon the commencement of production. Beginning in 2014, the Company modified its calculation to include an estimate of future drilling and development costs as well as an estimate of future rehabilitation and restoration costs related to the realization of the proven reserves in addition to capitalized costs to date. Prior to 2014, the calculation was based upon incurred costs to date. The calculation continues to prospectively use the applicable independent reserves and economic evaluation ("Reserve Report") to determine recoverable proved reserves. This change will be applied prospectively. The pro forma effect of the change on the six-month period ended June 30, 2013 would have been to increase Depreciation and Amortization Expenses and Net Loss by $2,206,294.

Due to the uncertainties involved in the calculations, it is impracticable to determine the effect of this change in future periods.

2.3 Consolidation

The Consolidated Financial Report includes the consolidation of AusTex Oil Limited, International Energy Corporation (Oklahoma) and its subsidiary Well Enhancements Services LLC, International Energy Corporation (Kansas) and International Energy Corporation of Northern Oklahoma as at 30 June 2014.

2.4 Adoption of New and Revised Accounting Standards

In the half-year ended 30 June 2014, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2013. It has been determined by the Company that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Company accounting policies. The Company has also reviewed all new standards and interpretations that have been raised but are not yet effective for the half-year ended 30 June 2014. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations or its business and, therefore, no change necessary to the Company accounting policies.

2.5 Sales Revenue, Cost of Sales and Other Production Costs

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and that it can be reliably measured.

Revenue from the sale of hydrocarbons is recognised in the financial period during which hydrocarbons are produced, provided that prior to the reporting date they are either sold or delivered in the normal course of business in accordance with agreements with purchasers. Sales revenue represents amounts invoiced, excluding applicable taxation.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Net sales are based on the Company working interests percentages. Cost of sales includes royalties, production taxes, marketing costs and lease operating expenses. Other Production Costs under Operating Costs includes direct labour costs for field operations and development; field equipment, repairs and maintenance; motor vehicle expenses; and related consulting and professional fees.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014 (Continued)

2.6 Operating Segments

Management has determined that the Company has one reportable segment; being oil and gas exploration and production in the states of Oklahoma and Kansas, United States of America. Management reviews internal management reports that are consistent with the information provided in the statement of income and other comprehensive income, statement of financial position and statement of cash flows. Accordingly, no reconciliation to operating segments is required.

NOTE 3: PROFIT/(LOSS) FOR THE PERIOD

The following revenue and expense items are relevant in explaining the financial performance for the interim period:

	30 Jun 2014 US$	Restated 30 Jun 2013 US$
a. Other Expense, Net of income		
Profit on disposal of non-current assets	35,603	43,824
Exchange gain on conversion of convertible notes	103,418	-
Options expense	(97,816)	(84,109)
Credit interest	20,733	19,669
Sundry income	14,863	-
Total Other Expense	76,801	(20,616)

NOTE 4: INCOME TAX EXPENSE

The income tax expense for the period comprises current income tax expense/(income) and deferred tax expense/(income).

Current income tax expense on the Consolidated Income Statement is the tax payable on taxable income calculated using applicable income tax rates enacted as at the reporting date. Current tax liabilities/(assets) are measured at the amounts expected to be paid to/(recovered from) the relevant taxation authority. Current tax assets and liabilities are offset where simultaneous realization and settlement of the respective asset and liability will occur. Management expects tax rates and credits applicable to its US operating segment to result in ongoing realization of its current period effective tax rate.

Deferred tax assets relating to unused tax losses are recognized only to the extent that it is highly likely that future taxable profit will be available against which the benefits of the deferred tax asset can be realized. At this time management has not determined there are deferred tax assets. When temporary differences exist due to investments in subsidiaries, related parties, and joint ventures, deferred tax assets and liabilities are not recognized where the timing of the reversal of the temporary difference are under company control.

The Group's subsidiaries operations are based in the United States and as such are subject to United States federal income taxes. The Parent entity's operations are based in Australia and are subject to Australian tax law. For the six (6) month period ended June 30, 2014 no income tax expense is required as a result of current taxable income for the period being offset by the carry forward of available Net Operating Losses.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014 (Continued)

NOTE 5: PROPERTY, PLANT AND EQUIPMENT

	30 Jun 2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Property, plant and equipment			
At cost	6,259,446	6,183,815	4,360,788
Accumulated depreciation	(2,698,085)	(2,457,848)	(1,714,423)
Net carrying value	3,561,361	3,725,967	2,646,365
Movement in carrying amounts			
Balance at beginning of period	3,725,967	2,644,425	1,143,459
Additions	697,118	1,932,683	1,502,906
Transfer to Oil and Gas Assets	(509,780)	-	-
Impairment	-	(107,100)	-
Depreciation charge for the period	(351,944)	(744,041)	(536,320)
Balance at end of period	3,561,361	3,725,967	2,646,365

NOTE 6: EXPLORATION AND EVALUATION ASSETS

	30 Jun 2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Exploration and evaluation assets			
At cost	1,663,734	2,211,658	4,065,655
Accumulated depreciation	(837,864)	(611,455)	(631,403)
Net carrying value	825,870	1,600,203	3,434,252
Movement in carrying amounts			
Balance at beginning of period	1,600,203	3,434,252	3,472,051
Additions	141,030	265,624	1,510,746
Impairment	(688,954)	(2,119,621)	(1,882,288)
Depreciation charge for the year	(226,409)	19,948	333,743
Balance at end of period	825,870	1,600,203	3,434,252

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2014 (Continued)

NOTE 7: OIL AND GAS ASSETS

	30 Jun 2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Oil and gas assets			
At cost	52,450,289	37,307,151	24,137,962
Accumulated depreciation	(2,992,978)	(896,989)	(489,578)
Net carrying value	49,457,311	36,410,162	23,648,384
Movement in carrying amounts			
Balance at beginning of period	36,410,162	23,648,385	16,499,752
Additions	14,633,358	13,482,821	7,526,986
Transfer from Plant & Equipment	509,780	-	-
Impairment	-	(313,632)	-
Depreciation charge for the period	(2,095,989)	(407,412)	(378,354)
Balance at end of period	49,457,311	36,410,162	23,648,384

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF-YEAR ENDED 30 JUNE 2014 (Continued)

NOTE 8: BORROWINGS

	30 Jun 2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Current Liabilities			
Convertible note (secured)	-	4,422,498	4,472,080
Convertible note issue costs (liability proportion)	-	(209,103)	(244,683)
Promissory note (secured)	-	-	500,000
Lease liability(secured)	89,420	82,612	-
Total Current Borrowings	89,420	4,296,007	4,727,397
Non Current Liabilities			
Lease liability (secured)	165,493	152,925	182,511
Total Non Current Borrowings	165,493	152,925	182,511
Total Borrowings	254,913	4,448,932	4,909,908

a. Lease liability

Lease liabilities are secured by the underlying leased assets.

b. Convertible notes

Convertible notes were issued as a source of long-term finance following passing of resolution 7 at the Company's Annual General Meeting held on 31 May 2012. The Group raised USD $7.5 million through the issuance of 7.5 million Convertible Notes and 7.5 million free attaching options for every two (2) shares issuable on conversion of the notes into shares. The Notes were payable in full two (2) years from the date the Notes are issued. The Notes are convertible into ordinary shares of the Company at the option of the holder at any time up to 13 June 2014. The conversion price of each note is in USD and the equivalent of AUD $0.15 converted into USD using the Reserve Bank of Australia published exchange rate on the day the Note is issued.

The Notes matured on 13 June 2014 and the Note holders elected to convert the balance of their Notes requiring no principal repayment by the Group. Following maturity of the Notes, the lien secured over the oil and gas leases held in Oklahoma and Kansas on a first priority basis was removed.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014 (Continued)

NOTE 9: ISSUED CAPITAL

	30 Jun 2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
509,348,494 (31 December 2013: 432,951,041) fully paid ordinary shares	72,342,657	61,426,563	61,431,723
116,666,667 (31 December 2013: 116,666,667) fully paid preference shares	17,500,000	17,500,000	-
	89,842,657	78,926,563	61,431,723

	30 June 2014		31 December 2013		1 January 2013	
	No. of shares	US$	No. of shares	US$	No. of shares	US$
a. **Ordinary Shares**						
At the beginning of reporting period	432,951,041	61,426,563	432,951,041	61,431,723	280,480,451	45,551,798
Shares issued during the period:						
— Share purchase plan and share placements	-	-	-	-	152,137,257	17,211,739
— Exercise of options	25,165,218	3,480,286	-	-	333,333	51,921
— Convertible note conversion	51,232,235	7,500,000	-	-	-	-
— Share issue costs	-	(64,192)	-	(5,160)	-	(1,383,735)
At the end of the reporting period	509,348,494	72,342,657	432,951,041	61,426,563	432,951,041	61,431,723

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held.

At the shareholders' meetings each ordinary share is entitled to one vote when a poll is called, otherwise each shareholder has one vote on a show of hands.

	30 June 2014		31 December 2013		1 January 2013	
	No. of shares	US$	No. of shares	US$	No. of shares	US$
b. **Preference Shares**						
At the beginning of reporting period	116,666,667	17,500,000	-		-	-
Shares issued during the year						
— Share placement	-	-	116,666,667	17,500,000	-	-
At the end of the reporting period	116,666,667	17,500,000	116,666,667	17,500,000	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2014 (Continued)

NOTE 10: EARNINGS PER SHARE

		30 Jun 2014	Restated 30 Jun 2013
		US$	US$
a.	**Basic Earnings/(Loss) per share**		
i.	Basic Earnings/(Loss) per share	$0.0051	($0.0014)
ii.	Net Income/(Loss) used to calculate basic loss per share	2,289,781	(585,461)
iii.	Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	449,191,943	432,951,041
b.	**Diluted Earnings/(Loss) per share**		
i.	Diluted Earnings per share	$0.0042	N/A
ii.	Net Income used to calculate diluted earnings/(loss) per share	2,289,781	N/A
iii.	Weighted average number of ordinary shares outstanding during the year used in calculating diluted loss per share	547,013,394	N/A

The Company's potential ordinary shares are its options granted. For the half year ended 30 June 2013, the Group's potential ordinary shares were its options granted and were not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.

NOTE 11: CONTINGENT ASSETS & LIABILITIES

At the date of signing this report, the Company is not aware of any contingent assets or liabilities that should be disclosed in accordance with AASB 137.

NOTE 12: SIGNIFICANT EVENTS AND TRANSACTIONS FOR THE PERIOD

a. As announced to the ASX on 24 March 2014, the Company released its independent reserves and economic evaluation ("Reserve Report") compiled by Pinnacle Energy Services LLC. The Reserve Report estimated total proved (1P) oil and gas reserves of 17.8 MBOE with a net present value discounted at 10% (NPV-10) of USD $217.1 million for the Company's Snake River Prospect and Sweet Prospect areas. The Reserve Report estimates have been used to update the unit of production depletion rates and depletion amounts expensed for the half year to 30 June 2014

b. **Conversion to ordinary shares**

During the reporting period, the following conversions to ordinary shares have taken place:

	2014	
	US$	Shares issued
Options exercised and converted to ordinary shares	3,480,286	25,165,218
Convertible Notes converted to ordinary shares	7,500,000	51,232,235
Total conversion to ordinary shares	10,980,286	76,397,453

NOTE 13: FINANCIAL RISK MANAGEMENT

The Group's financial instruments consist of deposits with banks, promissory notes, investments, accounts receivable and payable, and finance leases.

The totals for each category of financial instruments, measured in accordance with AASB 139 as detailed in the accounting policies to these financial statements, are as follows:

	30 June 2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013US$
Financial Assets			
Cash and cash equivalents	10,712,138	16,999,489	12,381,859
Trade and other receivables	2,818,520	1,918,665	1,070,681
Other financial assets			
— Cash for lease bond	166,791	127,745	107,825
Total Financial Assets	13,697,449	19,045,899	13,560,365
Financial Liabilities			
Financial liabilities at amortised cost			
— Trade and other payables	2,441,468	1,517,228	922,051
— Borrowings	254,913	4,448,932	4,909,908
Total Financial Liabilities	2,696,381	5,966,160	5,831,959

Financial Risk Management Policies

The Risk and Audit Committee (RAC) has been delegated responsibility by the Board of Directors for, amongst other issues, monitoring and managing financial risk exposures of the Group. The RAC monitors the Group's financial risk management policies and exposures and approves financial transactions within the scope of its authority. It also reviews the effectiveness of internal controls relating to commodity price risk, counterparty credit risk, currency risk, financing risk and interest rate risk. The minutes of the RAC are reviewed by the Board.

The RAC's overall risk management strategy seeks to assist the consolidated group in meeting its financial targets, while minimising potential adverse effects on financial performance. Its functions include the review of credit risk policies and future cash flow requirements.

Specific Financial Risk Exposures and Management

At balance date the group has no significant credit risks nor any significant business risks other than those which apply to the inherently risky oil and gas operations.

NOTE 13: FINANCIAL RISK MANAGEMENT (CONTINUED)

a. Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss to the Group.

Credit risk is managed through the maintenance of procedures ensuring to the extent possible, that customers and counterparties to transactions are of sound credit worthiness. Such monitoring is used in assessing receivables for impairment.

Credit risk related to balances with banks and other financial institutions is managed by the RAC in accordance with approved Board policy.

b. Liquidity risk

Liquidity risk arises from the possibility that the Company might encounter difficulty in settling its debts or otherwise meeting its obligations related to financial liabilities. The Company's main sources of liquidity risk at 30 June 2014 are trade payables and other financial lease liabilities. All of these liabilities have maturities within 1 year and currently total $2.5M USD. The Company had cash and receivables of $13.5M USD at 30 June 2014. Management believes there to be no material liquidity risk when comparing the maturity profile of the liabilities with the Company's current and projected cash and cash flows.

c. Market Risk

(i) Foreign exchange risk

Exposure to foreign exchange risk may result in the fair value or future cash flows of a financial instrument, asset or liability fluctuating due to movement in the foreign exchange rate of the United States Dollar. The Company's revenue and an overwhelming majority of its expenses, assets and liabilities are denominated in US dollars; the Company's "Functional Currency". As a result the Company's exposure to foreign currency risk at the end of the reporting period expressed in its Functional Currency is limited to current assets (primarily cash and equivalents) and current liabilities not denominated in its Functional Currency.

June 2014

Consolidated Group	Net Financial Assets/(Liabilities) Not Denominated in Functional Currency
Net Total in US dollars	2,806,353

December 2013

Consolidated Group	Net Financial Assets/(Liabilities) Not Denominated in Functional Currency
Net Total in US dollars	(72,081)

1 January 2013

Consolidated Group	Net Financial Assets/(Liabilities) Not Denominated in Functional Currency
Net Total in US dollars	1,436,132

(ii) Price risk

Price risk relates to the risk that the fair value on 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.

The Company uses futures, forwards, 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 realized. Hedge accounting is not used for these commodity derivatives. Unrealized losses as at 30 June, 2014 and 2013 were $176,301 and $155,652, respectively and are classified as a reduction in net sales for each period. At 30 June, 2014 the total barrels of oil hedged was 138,980 and the total weighted average contracted price was $95.77. The table below summarizes timing, amounts and contract pricing for commodity hedges in place at 30 June 2014.

Contract Month	Total BBLs Hedged	Weighted Avg. Contract Price	Contract Type
Jul-14	12,130	$97.67	Swap
Aug-14	12,130	$99.48	Swap
Sep-14	11,900	$99.18	Swap
Oct-14	11,510	$97.30	Swap
Nov-14	11,300	$97.02	Swap
Dec-14	11,510	$96.56	Swap
Jan-15	4,960	$91.39	Swap
Feb-15	4,480	$91.39	Swap
Mar-15	4,960	$91.39	Swap
Apr-15	8,000	$93.75	Swap
May-15	8,100	$93.79	Swap
Jun-15	8,000	$93.75	Swap
Jul-15	5,000	$95.20	Swap
Aug-15	5,000	$95.20	Swap
Sep-15	5,000	$95.20	Swap
Oct-15	5,000	$93.80	Swap
Nov-15	5,000	$93.80	Swap
Dec-15	5,000	$93.80	Swap

c. Market Risk (continued)

(iv) Interest rate risk

Exposure to interest rate risk arises on financial assets and financial liabilities recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The Group is also exposed to earnings volatility on floating rate instruments.

The financial instruments that primarily expose the Group to interest rate risk are borrowings, convertible notes issued, preference shares issued and cash and cash equivalents.

NOTE 14: EVENTS AFTER THE REPORTING PERIOD

Since the end of the half year the Directors are not aware of any matter or circumstance not otherwise dealt with within the financial report that has significantly or may significantly affect the operations of the consolidated entity, the results of those operations or the state of affairs of the consolidated entity in subsequent financial years.

DIRECTORS' DECLARATION

In accordance with a resolution of the Directors of AusTex Oil Limited, we state that:

In the opinion of the Directors:

(a) The financial statements and notes to the consolidated entity are in accordance with the *Corporations Act 2001*, including:

a. giving a true and fair view of the financial position as at 30 June 2014 and of its performance for the half-year ended on that date of the consolidated entity; and

b. complying with Accounting Standard AASB 134 Interim Financial Reporting; and

2. 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 the Directors.

R. Adrey

Managing Director

Dated this 29th day of August 2014

Hayes Knight
Accountants & Business Advisers

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AusTex Oil Limited ABN 42 118 585 649 and Controlled Entities
Interim Financial Report

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 and Controlled Entities (the consolidated entity) which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated income statement, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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 (including Australian Accounting Interpretations) 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 consolidated entity's financial position as at 30 June 2014 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 the 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 enquires, primarily of persons responsible for financial and accounting matters, and applying analytical and 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.

AusTex Oil Limited ABN 42 118 585 649 and Controlled Entities
Interim Financial Report

INDEPENDENT AUDITOR'S REVIEW REPORT TO THE DIRECTORS OF AUSTEX OIL LIMITED

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 and Controlled Entities is not in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the half-year ended on that date; and

(b) complying with AASB 134: Interim Financial Reporting and the Corporations Regulations 2001.

Pran Rathod - Director Audit Services
Registered Company Auditor

Hayes Knight
Hayes Knight (NSW) Pty Ltd

Dated at Sydney, this 29 day of AUGUST 2014