



Quarterly Activities Report – 30 September 2014

Highlights:

- **Record September Quarter**

Quarterly Gross Revenue of USD\$7.3m¹ and Net Revenue of USD \$5.5m²

Quarterly Oil and Gas Production – 113,400 BOE

- **Significant Increase in Reserves**

Snake River 1P and 2P Reserves Increase 71% over previous reserves estimate; and

Net Present Value (NPV) for 1P Reserves of \$338.4m compared to \$217.1m (up 55.9%) and NPV10 for 1P and 2P Reserves totals \$446.5M compared to \$260.5m (up 71%).

- **Development Drilling continues at Snake River Project, Oklahoma**

48 Company Operated wells and 4 non-operated wells producing with an additional 25 wells in pre-production; and

- **Subsequent to the Quarter**

AusTex now fully funded through up to US\$60 term loan from Macquarie to accelerate development at Snake River;

Completion of Gas Infrastructure for wells drilled;

Appointment of Nicholas Stone as co-Managing Director;

Increase in Snake River acreage to 10,500 acres;

Completion of implementation of new US corporate structure; and

Signing of New Gas Gathering Contracts.

¹ Reflects cash received for sales during the quarter based on production of AusTex's net working interests but gross of royalties and state production taxes

² Reflects cash received for sales during the quarter net of non-owned working interest participations, royalties and state production taxes

1. AusTex's Quarter

The Board of AusTex Oil Limited (**AusTex** or the **Company**) (**ASX:AOK - OTCQX:ATXDY – TSXV:ATO**) is pleased to provide its Quarterly Activities Report for the quarter ending 30 September 2014.

Significant Events During the September Quarter		
1	Drilled 15 new wells in the Snake River field	Q3
2	Acquired mineral rights to ~1,800 additional net acres at costs consistent with historical practice	Q3
3	The Company's Annual General meeting attended by Richard Adrey and Nicholas Stone from the USA including meetings with current and new investors	29 July
4	Release of the 2014 Half Year Reserve Report with an increase of 71% based on NPV10 for 1P and 2P Reserves of \$446.5m	21 August
5	Release of the Company's First Half Year Report as an ASX classified Oil and Gas Producer	29 August
Significant Events Subsequent to Quarter's End		
8	Announcement of up to US\$60m term loan with Macquarie Bank Limited	23 October
9	Completion of Gas Infrastructure for wells drilled	23 October
10	Appointment of Nicholas Stone as Co-Managing Director	23 October
11	Completion of implementation of new US corporate structure	23 October
12	Signing of New Gas Gathering Contracts	24 October

Table 1: Summary of Significant Events during and subsequent to the end of the September 2014 Quarter.

2. Company Overview

2.1 New US Corporate Structure:

On 23 October 2014 the Company advised that it has now implemented a new US corporate structure as follows:

"AusTex has completed a corporate restructuring of its subsidiaries to focus its operator liability in a single subsidiary and to transition away from its prior US Corporation structure. In addition to better containing the Company's corporate liability, the new structure will also ultimately simplify all of the

ongoing leasing efforts, streamline the required reporting to the local oil and gas authorities and improve the Company's tax efficiency."

AusTex now owns leases in Oklahoma through two key subsidiaries, International Energy Corporation (Oklahoma) and International Energy LLC. Another subsidiary, International Energy Company LLC, operates the field on behalf of the lease owning entities.

AusTex holds interests in approximately 11,300 acres in Oklahoma (~10,500 acres in the Snake River Project). The Company produces oil and gas in both Oklahoma and Kansas but will no longer pursue any additional activities in the latter state. The Company's primary focus is oil and gas exploration, development and production at its 100% owned Snake River Project in Kay County, Oklahoma targeting the liquid rich Mississippi Lime formation.

3. Quarterly Production and Revenue

During the quarter the Company achieved oil and gas production of 113,400BOE. Approximately 93% of the Company's production comes from the Company's primary Snake River Project alone. As discussed in recent announcements since July, AusTex has had 3 months of largely flat production, and the Company looks forward to resumed production growth in October which will be reported immediately upon receiving the production numbers for the Company's non-operated wells.

Month	Monthly Production ('000BOE)	Average Daily Production (BOE)	Change from Previous Month	Cumulative Calendar Year Production ('000BOE)
January	29.2	942	-	29.2
February	27.7	989	+ 5 %	56.9
March	32.0	1,033	+ 4.45 %	88.9
April	34.0	1,133	+ 9.68 %	122.9
May	39.5	1,273	+ 12.35 %	162.4
June	36.8	1,227	- 3.62%	199.2
July	38.9	1,254	+ 2.2%	238.1
August	37.7	1,217	-3.0%	275.8
September	36.7	1,225	+0.5%	312.6

Table 2: Net Monthly Production and Cumulative Annual Total

As the Company's production and revenue are variable from month to month, the Board believes a more accurate picture of the Company's performance can be taken from a view of total production based on quarter upon quarter as show in table 3 below.

Quarter Ending	Total Production ('000BOE)	Change from Previous Quarter	Cumulative Calendar Year Production ('000BOE)
31 March	88.9	-	88.9
30 June	110.3	+24.0%	199.2
30 September	113.4	+2.7%	312.6

Table 3: Net Quarterly Production and Cumulative Annual Total

A summary of the Company's producing and pre-production wells at Snake River at the end of the quarter is shown in table 4 below. The Company put 8 wells on pump in the month of September, roughly evenly spaced across the 30 days. As a result, approximately 4 full time equivalent wells were added to the production set last month. Unlike prior periods, 5 of the eight wells placed on pump in September had been flowing for less than 1 month. The initial production from these wells has been more heavily water laden than typical. While the Company believes this potentially reflects the unloading of some of the frac water that in prior wells bled off during the extended flow-back time, it is too early to determine that fact definitively. AusTex will report on the progression of the water in this cohort of wells in the coming monthly production updates.

Well Count as of:	30 June 2014	30 September 2014
Pumping – Non Operated	4	4
Pumping - Operated	37	48
Flowing / Testing	3	7
Drilled and Fracced only	5	10
Drilled only	13	8
Total Wells	62	77

Table 4: Wells by stage of production process

Well Count as of:	31 August	30 September	New Wells in Category	% of month new wells in category	Effective new wells
Pumping – Non Operated	4	4	0		
Pumping - Operated	40	48	8	54.2%	4
Flowing / Testing	7	7	3	72.2%	2
Drilled and Fracced only	11	10	7		
Drilled only	9	8	6		
Total Wells	71	77			

Table 5: Average time new wells spent in the new category in the month of September

Well Count as of:	BoP:	New inflow	Xfer to Frac	Xfer to Flow	Xfer to Pump	EoP 30 Sep:
Pumping – Non Operated	4					4
Pumping - Operated	40	8	0	0	0	48
Flowing / Testing	7	3	0	0	(3)	7
Drilled and Fracced only	11	7	0	(3)	(5)	10
Drilled only	9	6	(7)			8

Table 6: Summary of Producing and Pre-Production Wells at Snake River as at 30 September, 2014 showing movement of wells across categories from prior month.

The Board has previously advised the market that commencing with its half year report released to the market on 29 August it is now reporting in US dollars. AusTex, through its US domiciled entities receives all of its revenue in US Dollars. All expenditure in relation to exploration, production and other field activities as well as the majority of its general and administration costs are paid for through its subsidiaries in US Dollars. For these reasons the Board considered it appropriate that AusTex change its presentation currency by reporting all such figures in US dollars as and from the half year report.

Gross Revenue from operations for the September quarter was US\$7.3m with net to AusTex after royalties and taxes of US\$5.5m. Capital investments made during the quarter for development and the accumulation of additional largely contiguous acreage was US\$9.7m.

Cash and short term investments on hand at the end of quarter were US\$11.8m. September and October have been busy months for the Company from both a drilling and frac'ing perspective, spurred by the completion of the gathering infrastructure. The decline in the cash balance during the course of the month of October resulted from a combination of increased activity and the Company's intra-monthly cash flow cyclicity. AusTex receives payment from its gatherers at the end of each month, resulting in a cash low point that typically occurs in the 3rd week of a given month.

4. Oklahoma

4.1 Snake River Project, Kay County, Northern Oklahoma – ~10,500 acres AusTex 100% Working Interest (WI) ~81% Net Revenue Interest (NRI)

The Snake River Project is located in Kay County, Northern Oklahoma and is the Company's primary focus and is expanding both its acreage position and drilling commitments through the execution of its vertical well development strategy. The centre of the project lies approximately 5 miles south west of Ponca City and the general area hosts significant infrastructure including an oil refinery, gas gathering facilities, gas sales lines and a compression and liquids stripping plant owned by other companies.

Vertical Well Development

AusTex is the operator of the Snake River Project and continues to develop vertical wells with the primary target being the Mississippian interval which is approximately 4,300 feet below surface (or deeper according to structural relief). Oil and gas production at the project is expected to increase given that a gas sales pipeline that promises to deliver gas and NGL's to a higher paying sales point has now been completed for wells drilled and these wells are being tied into production following completion. Refer Figure 1.

Operations

During the quarter, the Company drilled a total of 15 new vertical development wells at the Snake River Project. This brings the total number of wells in production at Snake River to 52 including 4 non-operated wells. There were also a further 25 wells under completion at the end of the quarter.

The Company acquired additional acreage at Snake River during the quarter bringing the total to 10,500 acres and will continue to add to its acreage holdings in the Snake River Project as opportunities arise. The strategy is to add more acreage than the annual usage through drilling spaced on 80 acres per well, with the plan to increase density by down-spacing to as close as potentially 20 acre spacing in select areas.

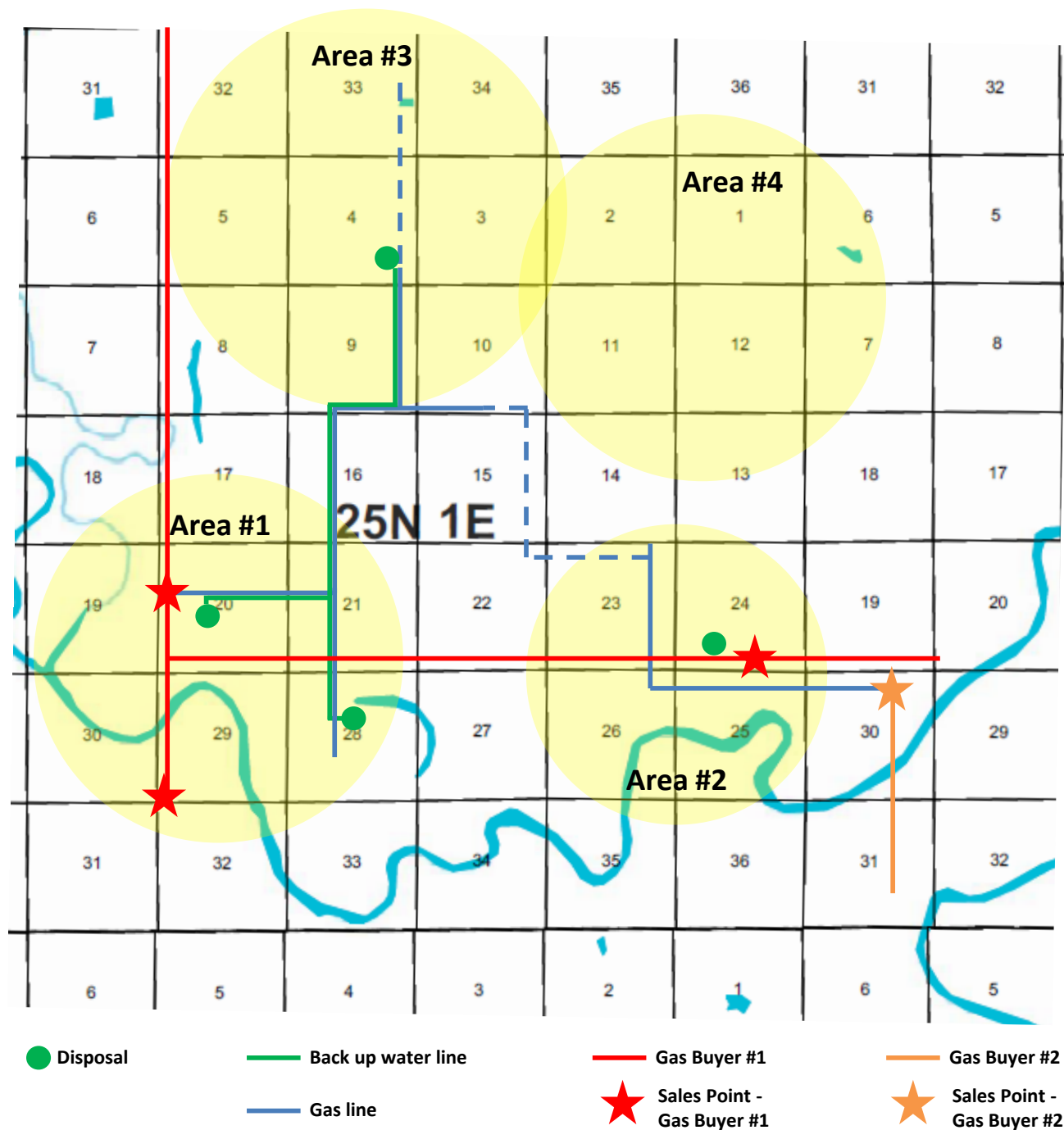


Figure 1: Location of new gas infrastructure showing the gas pipelines, water lines and sales points.

5. Other Projects

5.1 Tulsa and Surrounds

During the quarter there was no significant exploration, development or production work on the Company's other acreage in Oklahoma outside of the Snake River Project. These lease areas surrounding Tulsa contributed ~22 boe/day to production in the quarter.

5.2 Kansas

As has been consistently advised in previous quarters, given the success of the Snake River Project in Northern Oklahoma, once again in the September quarter there was no exploration, development or

production work on the Company's acreage in Kansas. The Company continues to review its acreage throughout Kansas as it prioritizes the acceleration of development and production at Snake River. During the quarter, the Company discontinued most of its operations in Kansas other than its legacy tail of production which contributed approximately 13 boe/day to production in the quarter.

6. Lease Operating Schedule

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

Lease Name	Net Acreage	Wi	NRI	Status	County, State
Snake River	~10,500	100%	~81%	Development Producing	Kay County, OK
Tulsa and surrounds	~800	100%	81%	Producing	Tulsa, OK
Cooper	~3,800	53%	38%	Development Producing	Sheridan, KS
Ellsworth	~900	50%	38%	Development Producing	Ellsworth, KS
Colby	~9,000	70%	59%	Exploration	Thomas, KS

Table 5: AusTex Oil's Gross Lease Operating Schedule, end September Quarter 2014.

7. Corporate Update

Key corporate activity during the September quarter is outlined in table 1 of this quarterly activities report including the holding of the Company's eighth Annual General Meeting of Shareholders with all resolutions being approved.

For the purposes of Listing Rule 3.16.4, the Company advises that the material terms of Mr Nicholas Stone's employment as Co-Managing Director along with Mr Richard Adrey are:

Remuneration:	\$US300,000 per annum
Duration:	Month to Month at the Board's discretion
Notice Period:	One Month
Review:	Annually

8. Forward Work Plan

Based on the Company's prior experience operating in the Snake River field, AusTex anticipates that the upcoming wet season will slow the pace of drilling activity until late spring. The Company intends to use that decrease in activity to monitor the performance of its current wells, enhance its understanding of the longer term return potential of infield drilling (20 acre spacing), and continue to refine its completion techniques. Assuming that the learnings from the winter period are consistent with the Company's current expectations, the drilling pace will ramp up again as previously highlighted in the spring.

AusTex remains committed to creating long term shareholder value both by maximizing the effectiveness of its incremental invested capital and by actively expanding its knowledge and information base to better focus the Company's limited resources. Incremental return on investment is a key focus of the Board, and shareholders should expect that returns will be carefully monitored and pursued, potentially at the expense of production growth. While AusTex' operating costs per BOE are well positioned relative to its industry peers in other formations in the United States, the Company is excited about the quality of its embedded assets and will seek to balance the harvesting of its reserves with the opportunity cost of selling oil in an unfavourable price environment.

9. Events Subsequent to the Quarter

Subsequent to the end of the quarter there were a raft of significant events as advised to the market on 23 and 24 October. A summary of these significant events is contained with table 1 of the report.

For and on behalf of AusTex Oil Limited



Justin B Clyne

Non-Executive Director & Company Secretary

31 October 2014