APPENDIX 4E
PRELIMINARY FINAL REPORT

1. Company details

Name of entity:	**AusTex Oil Limited**
ABN:	42 118 585 649
Reporting Period:	Year ended 31 December 2014
Previous corresponding period:	Year ended 31 December 2013

2. Results for announcement to the market

	Key information		%		Year ended 31 December 2014 US$
2.1	Revenue from ordinary activities	Up	102	to	**33,081,798**
2.2	Loss from ordinary activities attributable to the owners of AusTex Oil Limited	Up	967	to	**(11,541,315)**
2.3	Total Comprehensive Loss for the period attributable to the owners of AusTex Oil Limited	Up	1,946	to	**(11,174,854)**

Dividends

2.4 No dividends have been paid or provided for during the period.

2.5 Brief explanation of any of the figures reported above necessary to enable the figures to be understood.

The principal activities of the consolidated entity during the course of the year consisted of the production and development of oil and gas from its leases at Snake River in Kay County, Northern Oklahoma together with some residual legacy production from its leases surrounding Tulsa and from its non-operated leases in Kansas in the United States of America. The Snake River Project remains the core development focus of the consolidated entity. (During the 12 month period no new exploratory wells were drilled in Kansas. A decision has been made to not pursue further exploratory drilling on the Kansas acreage and the consolidated entity has discontinued most of its activity there).

The operating result of the consolidated entity decreased to a loss of USD $11,520,159 in 2014 from a loss of USD $1,081,457 in 2013 principally due to an increase in depletion amortization charge as explained in Note 1c to the Consolidated Financial Statements net of a significant increase in revenue from production. Production from leases held by the consolidated entity for the 12 months ended 31 December 2014 was 439,000 BOE which was up 75% compared to the 251,000 BOE for the 12 months ended 31 December 2013.

AusTex, as operator, drilled and completed 45 new vertical production wells at Snake River during the 12 months ended 31 December 2014 and at the end of the reporting period 68 consolidated entity operated wells were in production (plus a further 4 non-operated wells) with 12 wells under completion. Oil and gas production on the project has continued to increase as additional wells have been drilled and completed.

3. Net tangible assets	**Reporting period**	**Previous corresponding period**
Net tangible assets per ordinary shares and preference shares	7.6 cents	8.66 cents

4. Control gained over entities

There was no change in the status of the consolidated entity through the year.

5. Loss of control over entities

There was no change in the status of the consolidated entity through the year.

6. Details of associates and joint ventures

There are no associates of the consolidated entity. AusTex Oil Limited held non-operating interests in oil and gas leases located in the State of Kansas through a wholly owned subsidiary, International Energy Corporation (Kansas) (IEC-Kansas). Castle Resources Inc., a private company is the operator of record. These non-operating interests in oil and gas leases were dissolved on 1 October 2014 and all interests in leases and oil and gas assets in Kansas were merged with International Energy Corporation (Oklahoma), Inc.

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7. Foreign entities

7.1 Wholly owned US subsidiaries: AusTex Holdings LLC, International Energy Holdings LLC, International Energy Company LLC., International Energy Corporation (Oklahoma), Inc., International Energy Corporation of Northern Oklahoma, Inc., International Energy Corporation (Kansas), Inc. and Well Enhancement Services, LLC. See Note 1, Corporate Information, regarding corporate entities and certain 2014 subsidiary changes.

7.2 Majority owned US subsidiaries: International Energy LLC. (99% owned). See Note 1.

7.3 **Accounting standards used for foreign 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

The attached Preliminary Financial Report of AusTex Oil Limited for the year ended 31 December 2014 is based on the Financial Report of AusTex Oil Limited for the year ended 31 December 2014 which is in the process of being audited.

9. Attachments

The Preliminary Final Report of AusTex Oil Limited for the year ended 31 December 2014 is attached.

10. Signed

Signed in accordance with a resolution of the Board of Directors.

Dated this 27th day of February 2015.

Signed:

R. ADREY
Co-Managing Director

AUSTEX OIL LIMITED

Preliminary Final Report

for the year ended 31 December 2014

Consolidated Statements of Profit or Loss
For the years ended 31 December 2014 and 31 December 2013

	Note	2014 US$	Restated (Note 1) 2013 US$
Revenue		**33,081,798**	16,394,040
Cost of Sales		**(10,771,160)**	(5,154,469)
Gross Profit		**22,310,638**	11,239,571
Operating Costs and Expenses			
Other Production Costs		**(2,203,713)**	(2,238,913)
General and Administrative Expenses		**(4,324,118)**	(3,718,985)
Asset Impairment Expense on capitalised exploration and development costs		**-**	(2,988,424)
Depreciation and depletion expense	**1c**	**(25,024,623)**	(1,188,093)
Total Operating Costs and Expenses		**(31,552,454)**	(10,134,415)
Operating Income		**(9,241,816)**	1,105,156
Other			
Listing and Listing Advisory Costs (TSX, OTCQX)		**-**	(512,204)
Finance Costs		**(230,692)**	(783,799)
Foreign Exchange Loss		**-**	(655,428)
Other costs, net of other income		**(1,179,651)**	(235,182)
Total Other Expenses		**(1,410,343)**	(2,186,613)
Net Loss before income taxes		**(10,652,159)**	(1,081,457)
Income tax expense		**(868,000)**	-
Net Loss for the year		**(11,520,159)**	(1,081,457)
Earnings per share			
– Basic earnings per share	**2**	**($0.02062)**	($0.0025)
– Diluted earnings per share	**2**	**($0.02062)**	($0.0025)

The consolidated statement of profit or loss should be read in conjunction with the accompanying notes.

Consolidated Statements of Other Comprehensive Income
For the year ended 31 December 2014 and 31 December 2013

	Note	2014 US$	Restated (Note 1) 2013 US$
Net Loss for the year		**(11,520,159)**	(1,081,457)
Other comprehensive income, net of tax:			
Other comprehensive income that will be reclassified to profit or loss in subsequent periods when specific conditions are met:			
Exchange differences on translation of foreign operations		**366,461**	535,271
Income tax relating to components of other comprehensive income		**-**	-
Other comprehensive income for the year, net of tax		**366,461**	535,271
Total comprehensive loss for the year		**(11,153,698)**	(546,186)
Loss attributable to:			
Owners of AusTex Oil Limited		**(11,541,315)**	(1,081,457)
Non-controlling interests		**21,156**	-
		(11,520,159)	(1,081,457)
Total comprehensive income/(loss) for the year			
Owners of AusTex Oil Limited		**(11,174,854)**	(546,186)
Non-controlling interests		**21,156**	-
		(11,153,698)	(546,186)

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

Consolidated Statements of Financial Position
As at 31 December 2014, 31 December 2013 and 1 January 2013

	Note	2014 US$	Restated (Note 1) 31 Dec 2013 US$	Restated (Note 1) 1 Jan 2013 US$
Assets				
Current Assets				
Cash and cash equivalents		**14,900,640**	16,999,489	12,381,859
Trade and other receivables		**2,144,304**	1,918,665	1,070,681
Inventories		**429,038**	445,274	223,395
Derivatives	**7**	**3,847,830**	-	-
Other assets		**391,274**	397	269,421
Total Current Assets		**21,713,086**	19,363,825	13,945,356
Non Current Assets				
Exploration and evaluation assets	**4**	**-**	1,600,203	3,434,252
Oil and gas assets	**5**	**49,839,892**	36,410,162	23,648,384
Property, plant & equipment	**6**	**1,027,958**	3,725,967	2,646,365
Intangible assets		**-**	35,804	39,315
Derivatives	**7**	**1,700,004**	-	-
Other assets		**157,131**	127,745	107,825
Total Non Current Assets		**52,724,985**	41,899,881	29,876,141
Total Assets		**74,438,071**	61,263,706	43,821,497
Liabilities				
Current Liabilities				
Trade and other payables		**2,088,850**	1,517,228	922,051
Borrowings	**8**	**916,937**	4,296,007	4,727,397
Total Current Liabilities		**3,005,787**	5,813,235	5,649,448
Non Current Liabilities				
Borrowings	**8**	**11,427,232**	152,925	182,511
Provisions		**276,229**	280,000	-
Deferred Tax Liability		**868,000**	-	-
Total Non Current Liabilities		**12,571,461**	432,925	182,511
Total Liabilities		**15,577,248**	6,246,160	5,831,959
Net Assets		**58,860,823**	55,017,546	37,989,538
Equity				
Issued capital	**9**	**89,830,381**	71,994,601	54,804,790
Reserves		**492,486**	4,696,362	2,636,470
Accumulated losses		**(31,733,200)**	(21,673,417)	(19,451,722)
Total equity attributable to equity holders of the Company		**58,589,667**	55,017,546	37,989,538
Non controlling interest		**271,156**	-	-
Total Equity		**58,860,823**	55,017,546	37,989,538

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

Consolidated Statement of Cash Flows
For the year ended 31 December 2014 and 31 December 2013

	Note	2014	Restated (Note 1) 2013
		US$	US$
Cash Flows from Operating Activities			
Receipts from customers		**34,460,340**	11,666,929
Interest received		**43,927**	29,819
Payments to suppliers and employers		**(23,854,832)**	(7,607,687)
Finance costs		**(133,620)**	(784,674)
Other receipts and (payments)		**62,354**	(26,891)
Net cash provided by operating activities		**10,578,169**	3,277,496
Cash Flows from Investing Activities			
Payments for property, plant and equipment		**(2,392,146)**	(2,096,138)
Payments for acquisition of prospects		**-**	(543,601)
Payments for development expenditures		**(32,188,133)**	(12,810,071)
Payments for security deposits		**(25,000)**	(19,920)
Net cash (used in) investing activities		**(34,605,279)**	(15,469,730)
Cash Flows from Financing Activities			
Proceeds from issue of shares and exercise of options		**9,933,634**	17,500,000
Payments for costs of share issues		**(94,921)**	(5,160)
Proceeds from borrowings		**12,191,736**	105,270
Repayment of borrowings		**(82,503)**	(552,244)
Net cash provided by financing activities		**21,947,946**	17,047,866
Net (decrease)/increase in cash and cash equivalents		**(2,079,164)**	4,855,632
Cash and cash equivalents at beginning of year		**16,999,489**	12,381,859
Effect of exchange rates on cash holdings in foreign currencies		**(19,685)**	(238,002)
Cash and cash equivalents at end of year		**14,900,640**	16,999,489

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

Reconciliation to cash and cash equivalents

	2014 US$	Restated (Note 1) 31 Dec 2013 US$	Restated (Note 1) 1 Jan 2013 US$
Cash at bank and on hand	**14,613,338**	453,804	569,936
Bank deposits	**287,302**	16,545,685	11,811,923
	14,900,640	16,999,489	12,381,859

Reconciliation of cash

Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as follows:

Cash and cash equivalents	**14,900,640**	16,999,489	12,381,859
	14,900,640	16,999,489	12,381,859

Cash flow information

	2014 US$	Restated (Note 1) 2013 US$
a. **Reconciliation of Cash Flow from Operations With Loss after Income Tax**		
Loss after income tax	**(11,342,272)**	(1,081,457)
Non-cash flows in profit/(loss)		
Depreciation and depletion	**25,024,623**	1,188,093
Exploration expenses written-off	**-**	2,988,424
Share Based Payments Expense	**203,813**	-
Options expense	**1,103,388**	185,496
Interest on Convertible Notes	**97,072**	-
Gain on Conversion of Convertible Notes	**(199,156)**	-
(Profit)/Loss on disposal of non current assets	**(37,288)**	(56,483)
Foreign Exchange Losses	**-**	811,080
Other non cash flow items	**(504,755)**	(688,482)
Changes in assets and liabilities		
(Increase)/decrease in trade and other receivables	**(225,639)**	(1,095,066)
(Increase)/decrease in inventories	**16,236**	(277,525)
(Increase)/decrease in derivatives	**(3,847,830)**	-
(Increase)/decrease in other financial assets	**(390,877)**	250,773
Increase/(decrease) in trade and other payables	**571,622**	795,659
Increase/(decrease) in borrowings	**109,232**	256,984
Cash flows from operations	**10,578,169**	3,277,496

Consolidated Statements of Changes in Equity
For the year ended 31 December 2014 and 31 December 2013

	Share Capital	Convertible Note Equity Reserve	Foreign Currency Translation Reserve	Options Expense Reserve	Share Based Payments Reserve	Accumulated Losses	Non Controlling Interest	Total
	US$	US$	US$	US$	$US	US$	US$	US$
Balance (restated) at 1 January 2013	54,804,790	2,938,896	(1,048,764)	746,338	-	(19,451,722)	-	37,989,538
Prior period correction (Note 1d)	(305,029)	-	-	-	-	-	-	(305,029)
Comprehensive income (Restated)								
Net Loss for the year	-	-	-	-	-	(1,081,457)	-	(1,081,457)
Other Comprehensive income	-	-	535,271	-	-	-	-	535,271
Total restated comprehensive Income for the year	-	-	535,271	-	-	(1,081,457)	-	(546,186)
Restated Transactions with owners								
FCTR adjustments on equity	-	-	299,990	-	-	-	-	299,990
Issue of preference shares	17,500,000	-	-	-	-	-	-	17,500,000
Share issue costs	(5,160)	-	-	-	-	-	-	(5,160)
Options lapsed unexercised	-	-	-	(101,026)	-	-	-	(101,026)
Options expense	-	-	-	185,419	-	-	-	185,419
Total restated transactions with	17,494,840	-	-	84,393	-	-	-	17,579,233
Prior period correction (Note 1d)	-	-	-	1,140,239	-	(1,140,239)	-	-
Balance (restated) at 31 Dec 2013	71,994,601	2,938,896	(213,503)	1,970,970	-	(21,673,418)	-	55,017,546
Balance at 1 January 2014	71,994,601	2,938,896	(213,503)	1,970,970	-	(21,673,418)	-	55,017,546
Comprehensive income								
Loss for the year	**-**	**-**	**-**	**-**	**-**	**(11,541,315)**	**21,156**	**(11,520,159)**
Other Comprehensive income	**-**	**-**	**366,461**	**-**	**-**	**-**	**-**	**366,461**
Total comprehensive income for the year	**-**	**-**	**366,461**	**-**	**-**	**(11,541,315)**	**21,156**	**(11,153,698)**
Transactions with owners In their capacity as owners								
FCTR adjustments on equity	**-**	**-**	**(1,430,939)**	**-**	**-**	**-**	**-**	**(1,430,939)**
Issue of shares	**10,226,868**	**-**	**-**	**-**	**-**	**-**	**250,000**	**10,476,868**
Share issue costs	**(94,900)**	**-**	**-**	**-**	**-**	**-**	**-**	**(94,900)**
Conversion of convertible notes	**7,500,000**	**(2,938,896)**	**-**	**-**	**-**	**-**	**-**	**4,561,104**
Share based payments expense	**-**	**-**	**-**	**-**	**381,699**	**-**	**-**	**381,699**
Share based payments issued	**203,812**	**-**	**-**	**-**	**(203,812)**	**-**	**-**	**-**
Options exercised	**-**	**-**	**-**	**(1,481,533)**	**-**	**1,481,533**	**-**	**-**
Options lapsed unexercised	**-**	**-**	**-**	**(50,552)**	**-**	**-**	**-**	**(50,552)**
Options expense	**-**	**-**	**-**	**1,153,695**	**-**	**-**	**-**	**1,153,695**
Total transactions with owners In their capacity as owners	**17,835,780**	**(2,938,896)**	**(1,430,939)**	**(378,390)**	**177,887**	**1,481,533**	**250,000**	**14,996,975**
Balance at 31 December 2014	**89,830,381**	**-**	**(1,277,981)**	**1,592,580**	**177,887**	**(31,733,200)**	**271,156**	**58,860,823**

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

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014
Note 1: Statement of significant accounting policies
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") and the OTCQX International. The Company's business is the exploration and development of oil and gas leases in the United States of America. AusTex Oil Limited currently produces oil and gas in Oklahoma and Kansas. The consolidated financial statements as at and for the twelve (12) months ended 31 December 2014 ("the financial report") comprises the Company and its subsidiaries (together reported as the "consolidated entity"). AusTex Oil Limited is the ultimate parent entity of the consolidated entity.

The consolidated financial statements comprise the parent AusTex Oil Limited and all of its subsidiaries.

		Percentage Owned (%)*	
Consolidated Entities	**Place of Incorporation**	**Dec 2014**	**Dec 2013**
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) (Parent of)	Oklahoma, USA	100	100
Well Enhancement Services of Oklahoma LLC	Oklahoma, USA	100	*
International Energy LLC	Oklahoma, USA	99	*
International Energy Company LLC	Oklahoma, USA	100	*
Merged into International Energy Corporation (Oklahoma)**	Oklahoma, USA		
International Energy Corporation of Northern Oklahoma, Inc.	Oklahoma, USA	**	100
International Energy Corporation (Kansas) Inc.	Kansas, USA	**	100

Percentage of voting power is in proportion to ownership

* New entity in 2014.

** On 23 October 2014, the consolidated entity reorganized its U.S. subsidiaries for certain corporate operating efficiencies. As a result, International Energy Corporation (Kansas) Inc. and International Energy Corporation of Northern Oklahoma, Inc. were merged into International Energy Corporation (Oklahoma), Inc. ("IEC–OK") and IEC-OK became a wholly owned subsidiary of a new U.S. holding company IEC Holdings LLC.

Management has determined that the consolidated entity has one reportable segment; that being oil and gas exploration and production in the United States. The only activity in Australia is the maintenance of a registered office for AusTex Oil Limited ("parent company"). The parent company's activity is limited to being the ultimate holding company of the consolidated entity and has no active operations other than investment in its underlying U.S. subsidiaries. All executive and operating management, other than the Corporate Secretary, are in the United States.

Basis of Preparation

This Appendix 4E does not include notes of the type normally included within the annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and the financing and investing activities of the consolidated entity as the full financial report.

This Appendix 4E should be read in conjunction with the Half-year Financial Report of AusTex Oil Limited as at 30 June 2014 and the Annual Financial Report of AusTex Oil Limited, due to be released in March 2015, for the year ended 31 December 2014. It is also recommended that the Appendix 4E be considered together with any public announcements made by AusTex Oil Limited during the year ended 31 December 2014 in accordance with the continuous disclosure obligations arising under the Corporations Act, 2001.

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the *Corporations Act 2001*.

The consolidated entity is a for-profit entity for financial reporting purposes under Australian Accounting Standards.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Compliance with Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report was authorised for issue in accordance with a resolution of directors on 27th February 2015.

a. **Principles of Consolidation**

The consolidated financial statements comprise the financial statements of AusTex Oil Limited and its subsidiaries as at 31 December 2014. Control is achieved when the consolidated entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the consolidated entity controls an investee if and only if the consolidated entity has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

Where controlled entities have entered or left the consolidated entity during the year, the financial performance of those entities are included only for the period of the year that they were controlled. A list of controlled entities is contained in 7.1 of the Appendix 4E.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

Note 1: Statement of significant accounting policies (continued)

a. **Principles of Consolidation (continued)**

In preparing the consolidated financial statements, all inter-group balances and transactions between entities in the consolidated entity have been eliminated on consolidation.

Subsidiary financial statements are prepared using the same balance date and accounting policies as the consolidated entity.

Investments in subsidiaries are carried out at their cost, less any impairment charges, in the parent entity's financial statements.

b. **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 year to 31 December 2014. Consequently, the Directors have resolved to change its presentation currency from Australian dollars to US dollars being the consolidated entity'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$0.9637 as at 1 January 2013 and US$1:1237 at 31 December 2013 and the contributed equity, reserves and retained earnings were converted at applicable historical rates. Revenue and expenses for the year ended 31 December 2013 were converted at the average exchange rate of US$1:A$1.033 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 ($1,048,764) on 1 January 2013 and US ($213,503) on 31 December 2013.

c. **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. 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 depreciation and depletion expense of $25,024,623 in 2014 reflects the effects resulting from the changes in the Reserve Report from the prior Reserve Report as well as the cumulative effect of the aforementioned accounting change. The pro forma effect of the change on the year ended December 31, 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.

d. **Corrections**

Reflected in the accompanying consolidated financial statements are the corrections of the following two errors:

(1) There were a number of options issued in prior years which either had not been properly recorded, correctly valued at the grant date, correctly amortized, or correctly reflected within the financial statements.

The effect on the 2013 financial statements is an increase in the Options Reserve of US $1,140,239 with a corresponding decrease to Retained Earnings of US $1,140,239.

(2) In connection with the voluntary change in presentation currency with retrospective adjustment of prior year comparatives described in Note 1.b., a net prior period reclassification error with the equity account as at 1 January 2013 was identified and corrected. The effect of the change on the equity accounts as of 1 January 2013 was to decrease the Foreign Currency Translation Reserve (FCTR) by $4,559,589; decrease Accumulated Losses by $2,297,659; decrease Issued Share Capital by $6,626,933; decrease the Convertible Note Equity Reserve by $228,133; and decrease the Option Reserve by $2,183.

The reclassification error with the equity account as at 31 December 2013 was identified and corrected inclusive of the equity adjustment described in Note 1 above. The effect of the change on the equity accounts as of 31 December 2013 was to decrease the FCTR by $4,859,579; decrease Accumulated Losses by $1,157,422; decrease Issued Share Capital by $228,133; and increase the Option Reserve by $1,157,422.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014
Note 2: Earnings per share

		2014 US$	Restated (Note 1) 2013 US$
a.	**Basic Loss per share**		
I	Basic Loss per share	**(0.02062)**	(0.0025)
ii.	Net Profit (Loss) used to calculate basic loss per share	**(11,520,159)**	(1,081,457)
iii.	Weighted average number of ordinary shares outstanding during the year used in calculating basic loss per share	**501,327,530**	432,951,041

b. Diluted earnings per share

All options were anti-dilutive because dilution would reduce loss per share and therefore have been excluded from the weighted average number of ordinary shares for the purposes of calculating diluted EPS.

Notes to the Consolidated Financial Statements

For the year ended 31 December 2014

Note 3: Operating segments

Geographic Information

Identification of reportable segments

The consolidated entity operates predominantly in one business segment, being the exploration, development and production of hydrocarbons in the USA. The consolidated entity's revenues, expenses and assets and liabilities according to geographical location are shown below.

		2014			Restated (Note 1) 2013	
	Total	Australia	USA	Total	Australia	USA
	US$	US$	US$	US$	US$	US$
REVENUE						
Revenue	**33,081,798**	**-**	**33,081,798**	16,394,040	-	16,394,040
Cost of sales	**(10,771,160)**	**-**	**(10,771,160)**	(5,154,469)	-	(5,154,469)
Interest revenue	**43,926**	**29,121**	**14,805**	29,819	13,075	16,744
Total segment revenue	**22,354,564**	**29,121**	**22,325,443**	11,269,390	13,075	11,256,315
EXPENSES						
Other production costs	**(2,203,713)**	**-**	**(2,203,713)**	(2,238,913)	-	(2,238,913)
General and administrative expenses	**(4,324,118)**	**(1,383,948)**	**(2,940,170)**	(3,718,985)	(1,844,715)	(1,874,270)
Asset impairment	**-**	**-**		(2,988,424)	-	(2,988,424)
Depreciation and depletion expense	**(25,024,623)**	**(3,612)**	**(25,021,011)**	(1,188,093)	(1,538)	(1,186,555)
Listing and Advisory Costs (TXSV, OTCQX)	**-**	**-**	**-**	(512,204)	(512,204)	-
Finance costs	**(230,692)**	**(97,089)**	**(133,603)**	(783,799)	-	(783,799)
Foreign Exchange Loss	**-**	**-**	**-**	(655,428)	(655,428)	-
Other expenses, net of income	**(1,223,577)**	**(1,285,933)**	**62,356**	(265,001)	(185,495)	(79,506)
Total segment expenses	**(33,006,723)**	**(2,770,582)**	**(30,236,141)**	(12,350,847)	(3,199,380)	(9,151,467)
RESULTS						
Net loss before income tax	**(10,652,159)**	**(2,741,461)**	**(7,910,698)**	(1,081,457)	(3,186,305)	2,104,848
Income tax	**(868,000)**	**-**	**(868,000)**	-	-	-
Net Loss	**(11,520,159)**	**(2,741,461)**	**(8,778,698)**	(1,081,457)	(3,186,305)	2,104,848
ASSETS AND LIABILITIES						
Assets	**74,438,071**	**279,062**	**74,159,009**	61,263,706	207,743	61,055,963
Liabilities	**15,577,248**	**185,999**	**15,391,249**	6,246,160	4,489,667	1,756,493

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014
Note 4: Exploration and evaluation assets

	2014 US$	Restated (Note 1) 31 Dec 2013 US$	Restated (Note 1) 1 Jan 2013 US$
Exploration and evaluation assets			
At cost	-	2,211,658	4,065,655
Accumulated depreciation	-	(611,455)	(631,403)
Net carrying value	-	1,600,203	3,434,252
Movement in carrying amounts			
Balance at beginning of year	**1,600,203**	3,434,252	3,472,051
Additions	-	265,624	1,510,746
Transfer to Oil and Gas Assets	**(1,373,793)**	-	-
Impairment	-	(2,119,621)	(1,882,288)
Depreciation charge for the year	**(226,410)**	19,948	333,743
Balance at end of year	-	1,600,203	3,434,252
Accumulated Depreciation			
Balance at beginning of year	**611,455**	631,403	297,660
Depreciation charge for the year	**226,410**	(19,948)	333,743
Transfer to Oil and Gas Assets	**(837,865)**	-	-
Balance at end of year	-	611,455	631,403

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014
Note 5: Oil and gas assets

	2014 US$	Restated (Note 1) 31 Dec 2013 US$	Restated (Note 1) 1 Jan 2013 US$
Oil and gas assets			
At cost	**78,082,783**	37,307,151	24,137,962
Accumulated depreciation and depletion	**(28,242,891)**	(896,989)	(489,578)
Net carrying value	**49,839,892**	36,410,162	23,648,384
Movement in carrying amounts			
Balance at beginning of year	**36,410,162**	23,648,385	16,499,752
Additions	**31,540,978**	13,482,821	7,526,986
Impairment	**-**	(313,632)	-
Transfer from Exploration and Evaluation	**1,373,793**	-	-
Transfer from Plant and Equipment	**5,429,726**	-	-
Depreciation and depletion charge for the year	**(24,914,767)**	(407,412)	(378,354)
Balance at end of year	**49,839,892**	36,410,162	23,648,384
Accumulated Depreciation and Depletion			
Balance at beginning of year	**896,989**	489,577	111,224
Depreciation and depletion charge for the year	**24,914,767**	407,412	378,354
Transfer from Plant and Equipment	**1,593,270**	-	-
Transfer from Exploration and Evaluation	**837,865**	-	-
Balance at end of year	**28,242,891**	896,989	489,578

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014
Note 6: Property, plant and equipment

	2014 US$	Restated (Note 1) 31 Dec 2013 US$	Restated (Note 1) 1 Jan 2013 US$
Property, Plant & Equipment			
At cost	**2,088,670**	6,183,815	4,360,788
Accumulated depreciation	**(1,060,712)**	(2,457,848)	(1,714,423)
Net carrying value	**1,027,958**	3,725,967	2,646,365
Movement in carrying amounts			
Balance at beginning of year	**3,725,967**	2,646,365	1,145,399
Additions	**2,927,851**	1,932,067	2,037,286
Impairment	**-**	(107,100)	-
Transfer to Oil and Gas Assets	**(5,429,726)**	-	-
Depreciation charge for the year	**(196,134)**	(743,425)	(536,320)
Balance at end of year	**1,027,958**	3,725,967	2,646,365
Accumulated Depreciation			
Balance at beginning of year	**2,457,848**	1,714,423	1,178,103
Transfer to Oil and Gas Assets	**(1,593,270)**	-	-
Depreciation charge for the year	**196,134**	743,425	536,320
Balance at end of year	**1,060,712**	2,457,848	1,714,423

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014
Note 7: Borrowings

	2014 US$	Restated (Note 1) 31 Dec 2013 US$	Restated (Note 1) 1 Jan 2013 US$
Current			
Term loan (secured)	**750,000**	-	-
Lease liability (secured)	**166,937**	82,612	-
Convertible note (secured)	**-**	4,422,497	4,472,080
Less: Convertible note issue costs (liability proportion)	**-**	(209,102)	(244,683)
Promissory notes (secured)	**-**	-	500,000
Total current	**916,937**	4,296,007	4,727,397
Non-Current			
Lease liability (secured)	**177,232**	152,925	182,511
Term loan (secured)	**11,250,000**	-	-
Total non current	**11,427,232**	152,925	182,511
Total Borrowings	**12,344,169**	4,448,932	4,909,908

a. Term Loan

On October 23, 2014, the consolidated entity entered into a term loan agreement with Macquarie Bank Limited (Sydney) 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 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 for 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

b. Lease liability

Lease liabilities are secured by the underlying leased assets and is predominately related to field vehicles.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014
Note 7: Borrowings (continued)

c. Promissory notes

Promissory notes were drawn as a source of long-term finance and were issued for a 3 year term. These notes were redeemed in 2013. They bore a fixed interest at 6% payable monthly in arrears. The promissory note holder had the right at each anniversary date to redeem the promissory note by receiving shares in AusTex Oil Limited on the basis of 25 cents per share for the balance of the promissory note payable. In the event the promissory note holder did not elect to exchange the promissory note for shares in AusTex Oil Limited at any anniversary date, then at the end of the 3 year term of the promissory note, the entire principal balance was due and payable.

The promissory note was secured by a purchase money mortgage, covering the subject oil and gas leasehold estates and oil and gas leases and personal property thereon.

d. Convertible notes

The Convertible Notes were converted to ordinary shares during 2014. Convertible notes were issued as a source of long-term finance. Following passing of resolution 7 at the consolidated entity's Annual General Meeting held on 31 May 2012, the consolidated entity 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 options were unlisted and had an exercise price of AUD $0.20 and exercisable within three (3) years from the date of issue. Interest payable on each Note will compound and accrue annually at 10% per annum. Interest was payable quarterly in arrears commencing on 30 June 2012.

The Notes were payable in full two (2) years from the date the Notes were issued. The Notes were convertible into ordinary shares of the Company at the option of the holder at any time up to 31 May 2014. The conversion price of each note was US$0.15. The convertible notes were secured over the oil and gas leases held in Oklahoma and Kansas on a first priority basis. The subsidiaries of AusTex Oil Limited also guaranteed the performance of AusTex Oil Ltd of its financial obligations under the convertible notes.

The valuation of convertible notes was carried out using the Cox Ross Rubenstein (CRR) or binomial pricing model resulting in $4,983,658 shown as a current liability at 31 December 2013 and $676,955 recorded as foreign exchange losses in the 2013 consolidated income statement. Any directly attributable transaction costs were allocated to the convertible note liability and convertible note equity reserve in proportion to their initial carrying amounts.

e. Derivatives

In conjunction with the term loan agreement covenant, the consolidated entity is expected to hedge for price risk on 70 to 90% reasonable projected volume. Open positions as at 31 December 2014 were marked to market based on settlement prices and are classified in the consolidated statements of financial position according to expected maturity date.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014
Note 8: Issued Capital

	2014 US$	Restated (Note 1) 31 Dec 2013 US$	Restated (Note 1) 1 Jan 2013 US$
562,571,402 (2013: 432,951,041) fully paid ordinary shares	**72,330,381**	54,494,601	54,804,790
220,125,786 (2013: 116,666,667) fully paid preference shares	**17,500,000**	17,500,000	-
	89,830,381	71,994,601	54,804,790

	31 December 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**	**54,494,601**	432,951,041	54,804,790	280,480,451	38,924,865
Shares issued during the year:						
— Share purchase plan and share placements	**1,000,000**	**203,812**	-	-	152,137,257	17,211,739
— Exercise of options	**73,388,126**	**10,226,868**	-	-	333,333	51,921
— Conversion of convertible notes	**51,232,235**	**7,500,000**	-	-	-	-
— Share issue costs	**-**	**(94,900)**	-	(5,160)		(1,383,735)
— Prior period correction	**-**	**-**	-	(305,029)	-	-
At the end of the reporting period	**558,571,402**	**72,330,381**	432,951,041	54,494,601	432,951,041	54,804,790

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.

Notes to the Consolidated Financial Statements
For the year ended 31 December 2014
Note 8: Issued Capital (continued)

	31 December 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	-	-
- Dividend termination payment	**103,459,119**	**-**	-	-	-	-
At the end of the reporting period	**220,125,786**	**17,500,000**	116,666,667	17,500,000	-	-

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 afterfour (4) years.

During the year, 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.

c. Options

i. For information relating to the AusTex Oil Limited employee option plan, including details of options issued, exercised and lapsed during the financial year and the options outstanding at year-end, refer to the Remuneration Report as part of the Directors Report accompanying the Annual Report.

ii. For information relating to share options issued to key management personnel during the financial year, refer to the Remuneration Report as part of the Directors Report accompanying the Annual Report.

d. Capital Management

Management controls the capital of the consolidated entity in order to maintain a good debt to equity ratio and ensure that the consolidated entity can fund its operations and continue as a going concern.

The consolidated entity's debt and capital includes ordinary share capital and financial liabilities supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages the consolidated entity's capital by assessing the consolidated entity's financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels and share issues.

There have been no changes in the strategy adopted by management to control the capital of the consolidated entity since the prior year.