2014

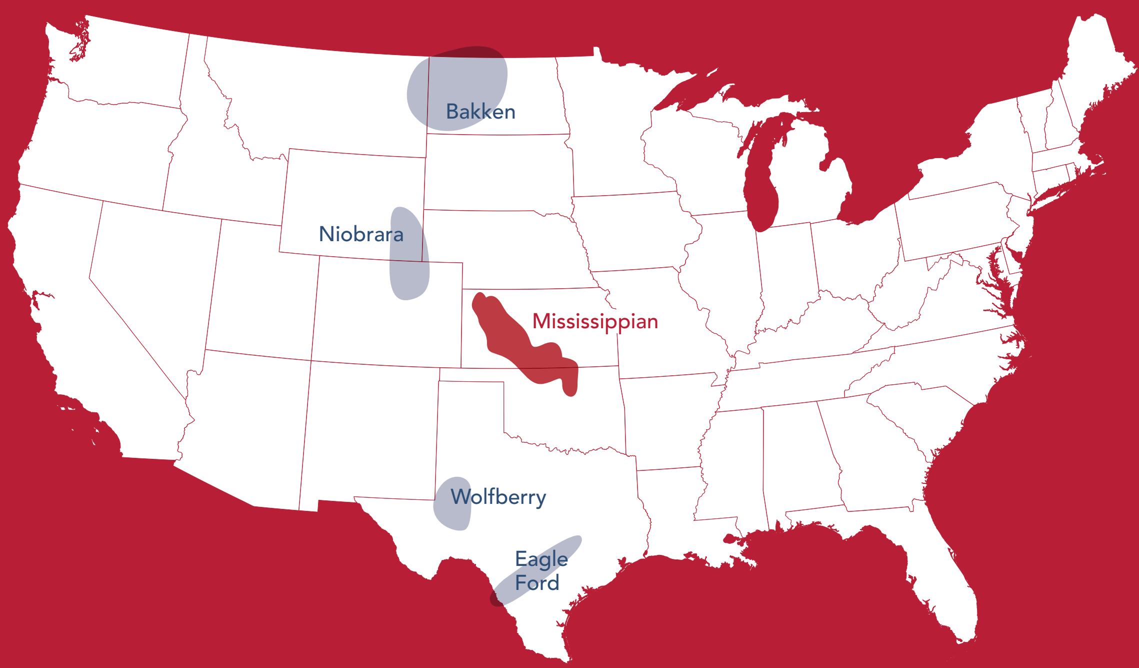
ANNUAL REPORT

AUSTEX OIL LIMITED
ACN 118 585 649

CONTENTS

AusTex Key Projects

Figure 1: US Shale Plays highlighting the Mississippian and the location of AusTex's Key Projects including Snake River which is the focus of AusTex's current vertical well program.



23

thousand net acres owned by AusTex

1.0

CHAIRMAN'S LETTER

Dear Shareholder;

The 2014 year was AusTex's most operationally exciting year so far with the Company experiencing a material transformation. The Company witnessed substantial production growth, real improvements in capitalisation and liquidity, rapid field development and compelling acreage acquisition.

To highlight just a few of the Company's strong achievements over the course of the year, these include:

- Delivering an increase in annual production of more 75% from 251,000 BOE to 439,000 BOE;
- A follow on increase in revenue of more than 100% to over US$33m;
- Securing an additional 5,700 acres of prime Snake River acreage bringing the total to 11,200 acres;
- Securing a term loan facility of up to US$60m;
- Maintaining a strong hedging position for current production at oil prices well in excess of the current spot market;
- Maintaining a strong balance sheet to position the Company to not only continue development in the low cost formations in which it operates but to capitalise on opportunities that may present themselves in this correction;
- Developing infrastructure consistent with AusTex's goal of becoming a mid-tier oil and gas producer;
- Implementing a new corporate structure to focus its operator liability into a single subsidiary, to better contain the Company's corporate liability, to simplify leasing efforts and also reporting obligations to local oil and gas authorities; and
- Reducing Australian public company overheads by more than $1m.

The Directors of AusTex all share a commitment to ensuring that the Company remains an excellent long term steward of its capital and operates in a first class manner. We have consistently stated that AusTex remains focused on creating long term shareholder value both by maximising the effectiveness of its incremental invested capital and by actively expanding its knowledge and information base to better utilize the Company's limited resources.

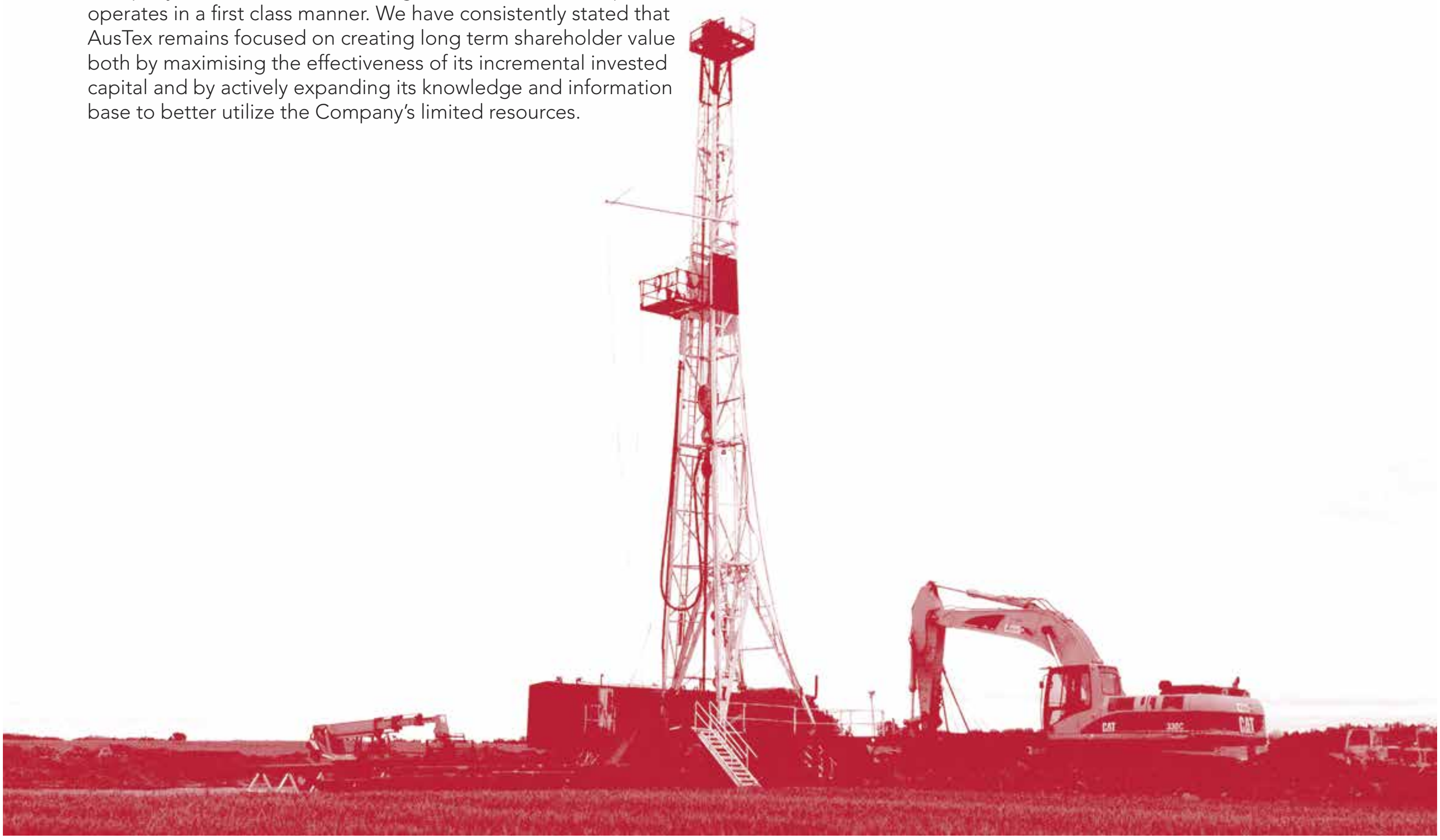
Incremental return on investment is a key focus of the Board and the allocation of capital will continue to be carefully monitored. Given the Company's significant cash balance and its in-the-money hedge protection, AusTex is well positioned to slow production, effectively using the formations as "free storage" in order to capitalize on the positive slope in the forward oil curve. We have also significantly decreased our acreage position and obligations in Kansas as part of our prioritisation of Snake River.

The Directors of AusTex all share a commitment to ensuring that the Company remains an excellent long term steward of its capital and operates in a first class manner.

As your Chairman and the Company's largest shareholder, I applaud the achievements of 2014 but recognise that these are challenging times. While we clearly cannot control the oil price, we can and will respond to that important signal in a manner that prudently preserves the Company's capital and enhances long term shareholder value. I continue to look forward to the opportunities that lay ahead of us.

On behalf of the Board I would also like to thank all shareholders for their continued support as we look forward to an exciting and productive 2015.

Michael R Stone
Non-Executive Chairman



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MANAGING DIRECTORS' REVIEW OF OPERATIONS

2014 Highlights

The Company achieved a record year in 2014 in terms of production, revenue, well development and infrastructure investment. 2014 surpassed the milestones from prior years, transforming the Company with both a material increase in production and a significant shift in it's financial wherewithal. The highlights centred on the continued growth and development of the Snake River Project in Northern Oklahoma which forms the primary asset base for the Company with operations in Kansas and Tulsa surrounds now comprising a legacy tail of production only with no further development. The development drilling in the Mississippian in 2014 contributed to the Company's significant growth profile and trajectory with major achievements for the year including:

- Revenue – up 102% to US$33m;
- Production – up 75% to 439,000 BOE for the year;
- Acreage at Snake River – up 103% to 11,200 acres;
- 45 new verticals wells drilled at Snake River resulting in 72 producing wells overall (including 4 non-operated) and 12 wells in various stages of pre-production;
- Securing of long term funding with an initial US$20m tranche of a potential $US60m facility, of which US$12m was drawn down at year end;
- Significant Infrastructure development and investment including the completion of a new gas sales pipeline;
- Entering into of new gas gathering contracts;
- Implementation of a new US corporate structure to contain operator and corporate liability, create greater tax efficiency and to streamline reporting and leasing; and
- Change in ASX classification from Explorer to Producer.

The following 3 tables highlight the Company's growth trajectory in 2014 from a production perspective.

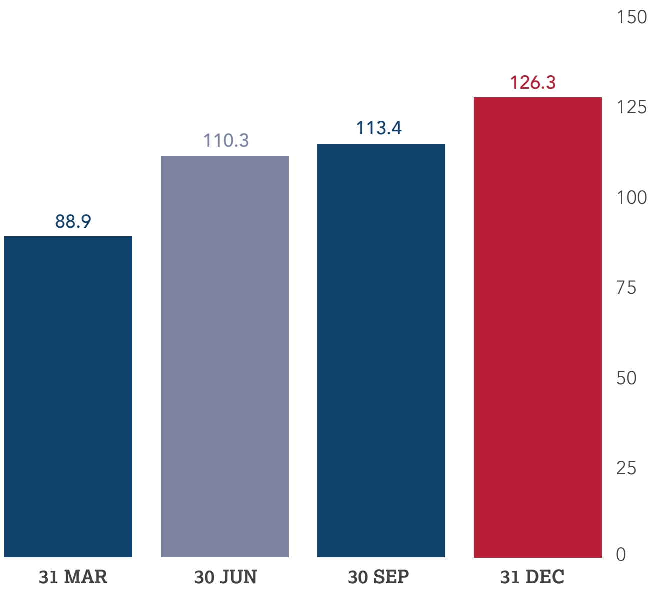
Quarter Ending	Total Production ('000BOE)	Change from Previous Quarter	Cumulative Calendar Year Production ('000BOE)
31 March	88.9	—	88.9
30 June	110.3	+24.0%	199.2
30 September	113.4	+2.7%	312.6
31 December	126.3	+11.4%	438.9

Table 1: Net Quarterly Production and Cumulative Annual Total for 2014.

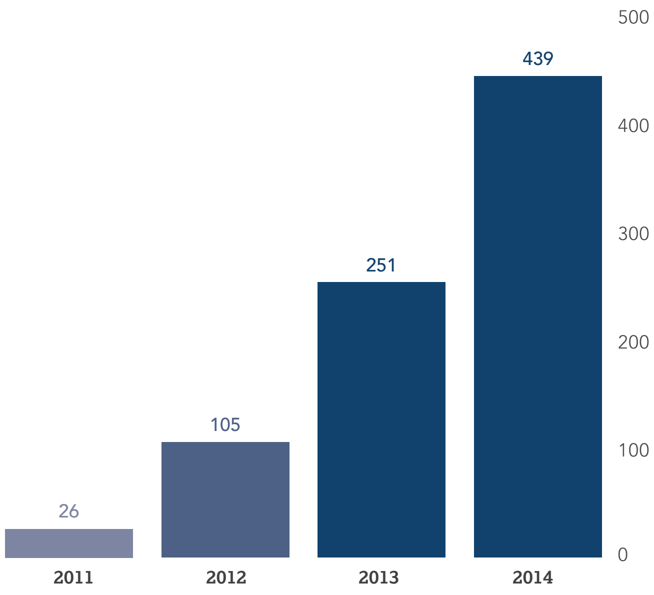
Year	Net Annual Production ('000BOE)	Change from Previous Year
2011	26	—
2012	105	+298%
2013	251	+139%
2014	439	+75%

Table 2: Net Annual Production Year on Year from 2011 to 2014.

Quarterly Production ('000BOE)



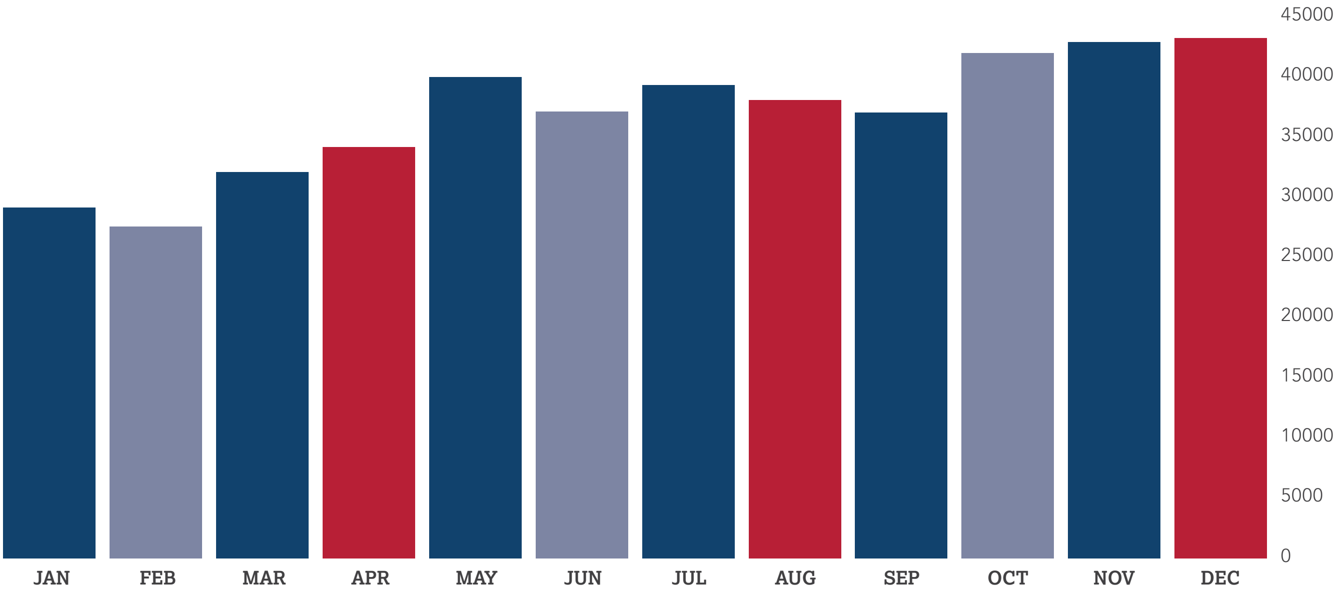
Net Annual Production ('000BOE)



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	+ 5.0%	56.9
March	32.0	1,033	+ 4.5%	88.9
April	34.0	1,133	+ 9.7%	122.9
May	39.5	1,273	+ 12.4%	162.4
June	36.8	1,227	– 3.6%	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
October	41.4	1,336	+9.1%	354.0
November	42.3	1,412	+5.7%	396.3
December	42.6	1,373	-2.7%	438.9

Table 3: Net Monthly Production and Cumulative Annual Total for 2014.

Monthly Production ('000BOE)



Company Overview

AusTex Oil Limited (AusTex or the Company) (**ASX: AOK, OTCQX: ATXDY**) is an oil and gas producing company with operations in Oklahoma and Kansas, in the mid-continent of the United States of America. The interests are held through 6 subsidiary companies as particularised in the list of Consolidated Entities under the Corporate Structure in the Directors' Report. USA operations are all managed from an office located at 1801 East 71st Street, Tulsa.

IEC-OK holds interests in approx. 11,200 acres of oil and gas leases in Kay County, Northern Oklahoma which is the Company's primary focus. International Energy Company, LLC is the operator of the majority of the leases.

The development drilling in the Mississippian in 2014 contributed to the Company's significant growth profile and trajectory.

2014 Year End Reserves

AusTex holds interests in 11,800 net acres in the Mississippi Lime play with daily average net production for the month of December of over 1,370 BOE with a peak rate of over 1,600 BOE. Pursuant to ASX Listing Rule 5.39, table 1 below shows AusTex's petroleum reserves holdings in respect of the Snake River Project in Kay County, Northern Oklahoma (comprising circa 11,200 acres) which is the Company's primary focus. The report also includes the much smaller and less developed Sweet Project in the Pawnee and Tulsa Counties of Oklahoma.

	Net Reserves		Net Reserves	NPV
Reserve Class	**Oil** MBBL	**Gas** MMCF	MBOE (6:1)	**Disc @ 10%** M$
Proved Developed Producing (PDP)	1,077	5,792	2,042	31,831
Proved Non-producing (PNP)	152	1,023	323	4,337
Proved Undeveloped (PUD)	3,276	18,364	6,337	50,311
Total Proved (1P)	4,505	25,179	8,702	86,479
Probable Reserves	2,735	16,606	5,503	32,229
Total Non-Proved	2,735	16,606	5,503	32,229
Grand Total (2P)	7,240	41,785	14,204	118,708

Table 4: Reserves and Economic Evaluation Report prepared by Pinnacle Energy Services LLC as announced to the ASX on 2 March 2015.

Reserve Certification

The information contained within the Company's ASX announcement and this Annual Report relating to oil and gas reserve estimates has been certified by John Paul Dick, a petroleum engineer employed by Pinnacle Energy Services LLC of Oklahoma City in the United States. Mr Dick holds a Bachelor's degree in Petroleum Engineering from the University of Tulsa and is a Registered Professional Engineer in the states of Oklahoma and Texas. He provides reserve and economic valuations and other services to numerous clients concerning oil and gas activities. Pinnacle Energy Services was founded in 1998 as an experienced provider of petroleum reservoir engineering consulting services. The report is based on and fairly represents information and supporting documentation prepared by, or under the supervision of, Mr Dick.

The Company also holds oil and gas leases in areas in Kansas which do not form part of the report prepared by Pinnacle Energy Services as, at this stage given the Company's development at Snake River, these other leases are considered immaterial and contributing a nominal amount of production only at best. During the course of the year the Company continued to relinquish most of its acreage in Kansas other than its legacy production.

The NYMEX strip pricing as of January 1, 2015 was used for the 2014 reserve report with the price forecast outlined below.

Year	Oil	Gas
2015	$56.26	$3.03
2016	$62.63	$3.46
2017	$66.55	$3.76
2018	$68.50	$3.96
2019	$69.75	$4.12
2020	$70.58	$4.25
2021	$71.28	$4.37
2022	$71.57	$4.49
2023	$71.62	$4.61
2024	$71.62	$4.69
2025	$71.62	$4.76
2026	$71.62	$4.87
2027+	$71.62	$5.02

Table 5: NYMEX strip pricing as of January 1, 2015

The NYMEX strip pricing as of January 1, 2014 was used for the 2013 reserve report with the price forecast outlined below.

Year	Oil	Gas
2014	$96.14	$4.19
2015	$88.75	$4.14
2016	$83.83	$4.13
2017	$80.81	$4.15
2018	$78.96	$4.21
2019	$77.96	$4.31
2020	$77.41	$4.44
2021	$77.09	$4.56
2022	$77.02	$4.66
2023	$77.02	$4.75
2024	$77.02	$4.84
2025	$77.02	$5.02
2026+	$77.02	$5.24

Table 6: NYMEX strip pricing as of January 1, 2014.

For comparison purposes pursuant to ASX Listing Rule 5.39.5 following is a summary of last year's reserves:

	Net Reserves		Net Reserves	NPV
Reserve Class	**Oil** MBBL	**Gas** MMCF	MBOE (6:1)	**Disc @ 10%** M$
Proved Developed Producing (PDP)	649	3,764	1,276	29,952
Proved Non-producing (PNP)	337	1,192	535	12,557
Proved Undeveloped (PUD)	7,685	26,927	12,172	174,561
Total Proved (1P)	8,670	31,884	13,984	217,069
Probable Reserves	1,791	6,262	2,834	43,409
Proved plus Probable (2P)	10,461	38,146	16,818	260,478

Table 7: Reserves and Economic Evaluation Report prepared by Pinnacle Energy Services LLC as announced to the ASX on 24 March 2014 extracted from the Company's 2013 Annual Report.

There are a number of contributing factors which have caused such a significant shift since the last reserves report. Some of these factors include:

- The significant decline in oil prices;
- Lower oil price projections means that for the purposes of assessing reserves the wells reach the end of their economic life earlier;
- The results of some of the Company's wells drilled in the north of Snake River prior to the end of the year were less productive than anticipated. These results were factored into the expectations for wells from the north, resulting in a reduction in the average type curve assigned to PUD's in that area. Results obtained in 2015 suggest better early performance from recently completed wells in the same area which could positively influence the next reserve report but are not included herein; and

- The decline in oil price and poor performance of wells in the north prior to the end of the year have caused a shift from the Proved to Probable category for undrilled wells based on the these factors causing an increase in uncertainty of the economic viability of future wells

The Company continues to review the governance arrangements and internal controls it has in place with respect to its reserve reporting, including the frequency and scope of these reviews. As a condition of the term loan obtained by the Company announced to the market in October 2014, the Company is required to work closely with its lender in relation to its reserve reporting to ensure accuracy and transparency and sufficient Proved Developed Reserve PV10 coverage. Governance and control surrounding reserve reporting remains an ongoing area of review at each periodic meeting with the Company's lender. The Company ensures that material supplied to the reserve engineer is not only checked by senior executives but also by both Co-Managing Directors to ensure accuracy and relevance.

Project Summaries & Leases

Lease Name	Acreage	WI	NRI (approx.)	Status	County, State
Snake River	~11,200	100%	81.25%	Development Producing	Kay County, OK
Tulsa and surrounds	~600	100%	81.25%	Producing	Tulsa, OK
Cooper	~3,500	53%	38.00%	Producing	Sheridan, KS
Ellsworth	~1,100	50%	38.00%	Producing	Ellsworth, KS
Colby	~6,900	70%	58.80%	Not Producing	Thomas, KS

Table 8: Summary of AusTex's Leases in Oklahoma and Kansas showing approximate Working Interests and Net Revenue Interests at 31 December, 2014.

The Snake River Project – Kay County, Northern Oklahoma

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

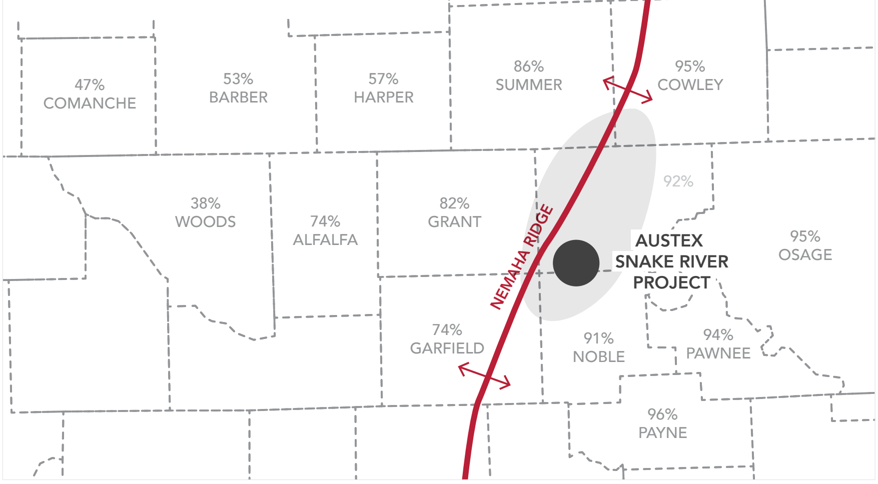
AusTex is the operator of the Snake River Project and continues to develop vertical wells with the primary target being the Mississippian interval which is approximately 4,300 feet below surface (or deeper according to structural relief). Oil and gas production at the project is expected to increase as additional wells are tied into production facilities. AusTex has invested in infrastructure including a gas sales pipeline which was completed in October 2014 which the Company believes will deliver gas and NGL's to a higher paying sales point. AusTex has also entered into a number of new gas gathering contracts.

The Snake River Project comprised a series of producing wells, wells in pre-production and salt water disposal wells as at 31 December, 2014 as shown in table 9 overleaf. Since 1 January, 2015 additional wells have been brought into production or are in a stage of pre-production. Current well and production numbers can be obtained by reference to the latest quarterly activities updates as released to the market periodically or pursuant to the Company's continuous disclosure regime.

The Company's approach is to continue drilling vertical wells as opposed to the far more expensive horizontal wells which carry a cost of completion several times that of a vertical well.

Location of AusTex Oil and Gas

Figure 2: Location of AusTex Oil and Gas Leases



Additional Acreage under Review

The Company continues to acquire additional acreage in the Snake River Project and presently holds approximately 11,200 acres. AusTex's strategy is to add more acreage than the annual usage through drilling spaced on 80 acres per well, with the plan to selectively increase density by down-spacing to as close as 30 acre spacing.

Horizontal Well Development

The Company participated in drilling the Balder #2 Horizontal well in February 2014.

Other Projects

Tulsa and Surrounds

During 2014 there was no significant exploration, development or production work on the Company's other acreage in Oklahoma outside of the Snake River Project. The lease areas surrounding Tulsa continue to contribute 23-25 boe/day to production. International Energy Corporation (Oklahoma) (IEC-OK) holds a 100% working interest and ~80% net revenue interest in ~600 acres of oil and gas leases located near Tulsa and is the operator. Oil and gas is produced and sold to local purchasers.

Kansas

Given the success of the Snake River Project in Northern Oklahoma, 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 prioritises the acceleration of development and production at Snake River. After having discontinued most of its operations in Kansas throughout the course of 2014, the Company still benefits from its legacy tail of production which contributes approximately 8 boe/day to production.

International Energy Company (Kansas), the previous joint venture partner in Kansas was dissolved on 1 October 2014 and all interests in leases and oil and gas assets in Kansas were merged with International Energy Corporation (Oklahoma).

Schedule of AusTex's wells at the Snake River Project

Well Name	Section	Month Started on Pump	12/14 Status
Big Goose 4-3	4-25N-1E		Fracced
Big Goose 4-4	4-25N-1E		Drilled
Blubaugh 20-1	20-25N-1E	Aug-12	Pumping
Blubaugh 20-12	20-25N-1E	Nov-14	Pumping
Blubaugh 20-13	20-25N-1E	Dec-14	Pumping
Blubaugh 20-2	20-25N-1E	Dec-12	Pumping
Blubaugh 20-3	20-25N-1E	Nov-12	Pumping
Blubaugh 20-4	20-25N-1E	Nov-12	Pumping
Blubaugh 21-1	21-25N-1E	Jun-13	Pumping
Blubaugh 21-2	21-25N-1E	Mar-13	Pumping
Blubaugh 21-3	21-25N-1E	Mar-13	Pumping
Blubaugh 21-4	21-25N-1E	Jul-13	Pumping
Blubaugh 21-5	21-25N-1E	Nov-14	Pumping
Bonfy 24-13	24-25N-1E	May-14	Pumping
Bonfy 24-16	24-25N-1E	Sep-14	Pumping
Brorsen 10-2	10-25N-1E		Drilled
Brorsen 10-5	10-25N-1E	Jul-14	Pumping
Cletus 20-10	20-25N-1E	Apr-13	Pumping
Cletus 20-14	20-25N-1E		Flowing
Cletus 20-5	20-25N-1E	Sep-13	Pumping
Cletus 28-3	28-25N-1E	Aug-14	Pumping
Cletus 28-4	28-25N-1E	Aug-14	Pumping
Coulter 29-3	29-25N-1E		Flowing
Detten 33-1	33-26N-1E		Drilled
Detten 33-3	33-26N-1E		Drilled
Dudrey 4-7	4-25N-1E		Flowing
Ellen Roy 10-3	10-25N-1E		Drilled
Enfield 9-1	9-25N-1E	Apr-14	Pumping
Enfield 9-2	9-25N-1E	May-14	Pumping
ETU #14-5	29-25N-1E	Dec-11	Pumping
ETU #14-7	29-25N-1E	Jul-12	Pumping
ETU #14-8	29-25N-1E	Jul-13	Pumping
ETU #15-4	29-25N-1E	Nov-11	Pumping
ETU #1-6	20-25N-1E	Feb-13	Pumping
ETU #1-7	20-25N-1E	Feb-13	Pumping
ETU #17-6	30-25N-1E	Jul-12	Pumping
Fath 28-1	28-25N-1E	May-14	Pumping
Fath 28-2	28-25N-1E	Mar-14	Pumping
Fath 29-1	29-25N-1E	Feb-14	Pumping
H.T. Ranch 26-2	26-25N-1E	Oct-14	Pumping
H.T. Ranch 26-3	26-25N-1E		Fracced
Hays 29-2	29-25N-1E	Dec-14	Pumping
HT Ranch 26-1	26-25N-1E	Sep-14	Pumping
Klinger 24-3	24-25N-1E	Nov-13	Pumping
Langley 3-5	3-25N-1E	Sep-14	Pumping

Schedule of AusTex's wells at the Snake River Project (continued)

Well Name	Section	Month Started on Pump	12/14 Status
BMaud Collins 24-9	24-25N-1E		Fracced
Miller 4-6	4-25N-1E	Dec-14	Pumping
Neighbors 32-1	32-26N-1E	Dec-14	Pumping
Neighbors 32-2	32-26N-1E	Dec-14	Pumping
Nellie King 24-11	24-25N-1E		Fracced
Nicholson 20-7	20-25N-1E	Feb-13	Pumping
Nicholson 24-15	24-25N-1E		Flowing
Nicholson 24-4	24-25N-1E	Feb-14	Pumping
Nicholson 24-5	24-25N-1E	Dec-13	Pumping
Phipps 23-2	23-25N-1E	Jun-14	Pumping
Phipps 23-3	23-25N-1E	Dec-14	Pumping
Phipps 23-4	23-25N-1E	Sep-14	Pumping
Phipps 23-5	23-25N-1E	Dec-14	Pumping
Pierce 4-5	4-25N-1E	Nov-14	Pumping
Preston-Parker 20-11	20-25N-1E	Oct-14	Pumping
Read 20-15	20-25N-1E		Flowing
Read 20-8	20-25N-1E	May-13	Pumping
Roger 20-6	20-25N-1E	Jul-13	Pumping
Schiltz 3-1	3-25N-1E	Sep-14	Pumping
Schwanke 24-1	21-25N-1E	Sep-13	Pumping
Scott 20-9	20-25N-1E	Jul-13	Pumping
Silvertop Farms 11-2	11-25N-1E		Drilled
Silvertop Farms 11-3	11-25N-1E		Fracced
Sober 3-3	3-25N-1E	Sep-14	Pumping
Sober 4-1	4-25N-1E	Oct-14	Pumping
Sober 4-2	4-25N-1E	Mar-14	Pumping
Steichen 10-4	10-25N-1E	Dec-14	Pumping
Steichen 23-1	23-25N-1E	Apr-14	Pumping
Steichen 24-12	24-25N-1E	Sep-14	Pumping
Steichen 24-2	24-25N-1E	Mar-14	Pumping
Steichen 24-6	24-25N-1E	Sep-14	Pumping
Steichen 24-7	24-25N-1E	Mar-14	Pumping
Theda 25-1	25-25N-1E	Oct-13	Pumping
Wyckoff 29-4	29-25N-1E		Flowing
Wyckoff 29-7	29-25N-1E		Drilled

Table 9: Schedule of AusTex's wells at the Snake River Project as at 31 December, 2014. (Does not include the four Salt Water disposal wells the company has drilled in sections 4, 20, 24 and 29).

2015 and Beyond

The Company remains focused on growing oil and gas production at the Snake River Project in Northern Oklahoma through the execution of its vertical well development strategy. The Company is investing in infrastructure, and acquiring new acreage with a view to increasing production as additional wells are completed and tied to production facilities.

Richard Adrey
Co-Managing Director
24 April 2015

DIRECTORS REPORT AND REMUNERATION REPORT

Directors' Report

Your Directors present their Report on the consolidated accounts of AusTex Oil Limited and the entities it controlled for the year ended 31 December 2014.

Directors

The names and details of the Directors of AusTex Oil Limited in office during the financial period and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Current Directors

Michael Stone - USA

Non-Executive Chairman
(appointed 1 May 2014)

Mr Stone is the Founder and Managing Member of Freestyle Investors. He was Founder and non-executive Chairman of J.H. Whitney Investment Management, LLC, which focused on Asia based hedge funds, and he is retired Senior Partner and past President of J.H. Whitney & Co., a diversified manager of alternative investment assets and the country's first venture capital firm. He joined J.H. Whitney & Co. in 1989 and retired in 2009. Prior to that, he was a management consultant with Bain & Company. He currently serves as a Senior Advisor and Partner of TPG, a private equity firm. In his roles at Freestyle, Whitney, and TPG, he has overseen or been involved with the completion of over 100 investments, cumulatively responsible for several billion dollars of equity capital deployment.

He attended Duke University where he graduated Phi Beta Kappa, Summa Cum Laude, and Harvard Business School.

Other Public Company Directorships: *Nil*

Positions held: *Member, Remuneration Committee*

Richard Adrey - USA

Co-Managing Director (Managing Director & Executive Chairman until 1 February 2014, Managing Director & Interim Chairman between 1 February 2014 and 1 May 2014 and Managing Director between 1 May 2014 and 1 November 2014)

Mr Richard Adrey was an investment and merchant banker with Andreasen & Co., Kohlmeyer & Co., Mabon Nugent and a private investment company, Coastline Financial Partners for 30 years with specializations in mergers, financings and in turnarounds of distressed assets. He has been involved with numerous private and public companies, such as Piper Aircraft, Cynocom Corp, Medisys, Versatech and VacationBreak.

Mr. Adrey holds a B.S. in finance, has completed continuing education and held Officer and Board seats in several companies as an advisor. He is the President and founder of International Energy Corporation (Oklahoma) International Energy Corporation (Northern Oklahoma) and International Energy Corporation (Kansas), which are wholly owned subsidiaries of AusTex Oil Limited and is employed on a full time basis to oversee all US operations of the Company.

Other Public Company Directorships: *Nil*

Positions held: *Nil*

Russell Krause - Australia

Non-Executive Director

Mr Krause has 25 years' experience in Stockbroking and Investment Banking and held Directorships and Senior Management positions with a number of leading Australian firms. Over this time Mr Krause's primary focus has been the Resources sector and brings extensive experience in Australia, Africa, Asia and North America. For the past 10 years he has worked on a number of North American Oil and Gas projects in the Mid-Western USA. Mr Krause is currently a Director of a Singapore based AuzMinerals Resource Group Limited and Novus Capital Limited.

Other Public Company Directorships: *Novus Capital Limited appointed 1 October 2008, Auzminerals Resource Group Limited appointed 30 June 2009, Carbine Tungsten Limited appointed 30 June 2013, Red Sky Energy Limited appointed 21 October 2014 and Elk Petroleum Limited appointed 13 March 2015.*

Positions held: *Chair, Audit & Risk Committee, Member, Remuneration Committee.*

Justin B Clyne - Australia

Non-Executive Director & Company Secretary (Non-Executive Director since 19 June 2014)

After taking a sabbatical in 2013, Justin Clyne was reappointed as joint company secretary of the Company on 1 January 2014 and has been the sole company secretary since 24 January 2014. He is a former Barrister and current director and company secretary of a number of listed and unlisted entities and brings a broad range of legal, corporate and regulatory skills to the Company. Justin holds a Master of Laws in International Law from the UNSW and is a qualified chartered company secretary.

Other Public Company Directorships: *Fitzroy River Corporation Limited, appointed 1 July 2014.*

Positions held: *Chair, Remuneration Committee; Member, Audit & Risk Committee*

Nicholas J Stone - USA

Co-Managing Director (Non-Executive Director until 1 November 2014)

Nick joined the Board on 19 November 2013. He was previously an investor with TPG Capital and KKR in the USA. He has an MBA from Stanford University and an Undergraduate Degree from Harvard University. He is a partner at California based Freestyle Investors which is a substantial shareholder in AusTex Oil.

Other Public Company Directorships: *Nil*

Positions held: *Nil*

Previous Directors

Daniel Lanskey - Australia

(Managing Director until 31 January 2014 and Non-Executive Director until 19 June 2014)

Mr. Lanskey has been involved in senior management positions of Australian companies for over ten (10) years. He has also been involved in a number of companies which have developed international contracts and joint ventures in Asia, Europe and the USA.

Mr. Lanskey holds a post-graduate Business Degree. Mr. Lanskey is a director of International Energy Corporation (Oklahoma), International Energy Corporation (Northern Oklahoma) and International Energy Corporation (Kansas) and until he became a non-executive director on 24 January this year, was associated with AusTex Oil on a day to day basis overseeing operations in Australia.

Luis Vierma - USA

Non-Executive Director (until 22 April 2014)

Mr Luis Vierma was appointed as a Non-Executive Director on 1 September 2011. Mr Vierma holds a Bachelor Degree in Chemistry and a Master's degree in Geology (Geochemistry of Petroleum).

Prior to moving to New York, he was formerly the Deputy Chairman of OPEC Long Term Strategy, Deputy Director of Hydrocarbons at the Energy Ministry of Venezuela, President of CVP, an affiliate of Petrõleos de Venezuela S.A. (PDVSA), and Director and Chairman of CITGO. Mr Vierma was also the Vice President of Exploration and Production PDVSA, President of PDVSA Research Centre and Professor of Chemistry at Universidad Central de Venezuela. He has 32 yrs. of global experience in the oil and gas industry.

Patricia Kay Philip ONM - Australia

Non-Executive Director (until 19 June 2014)

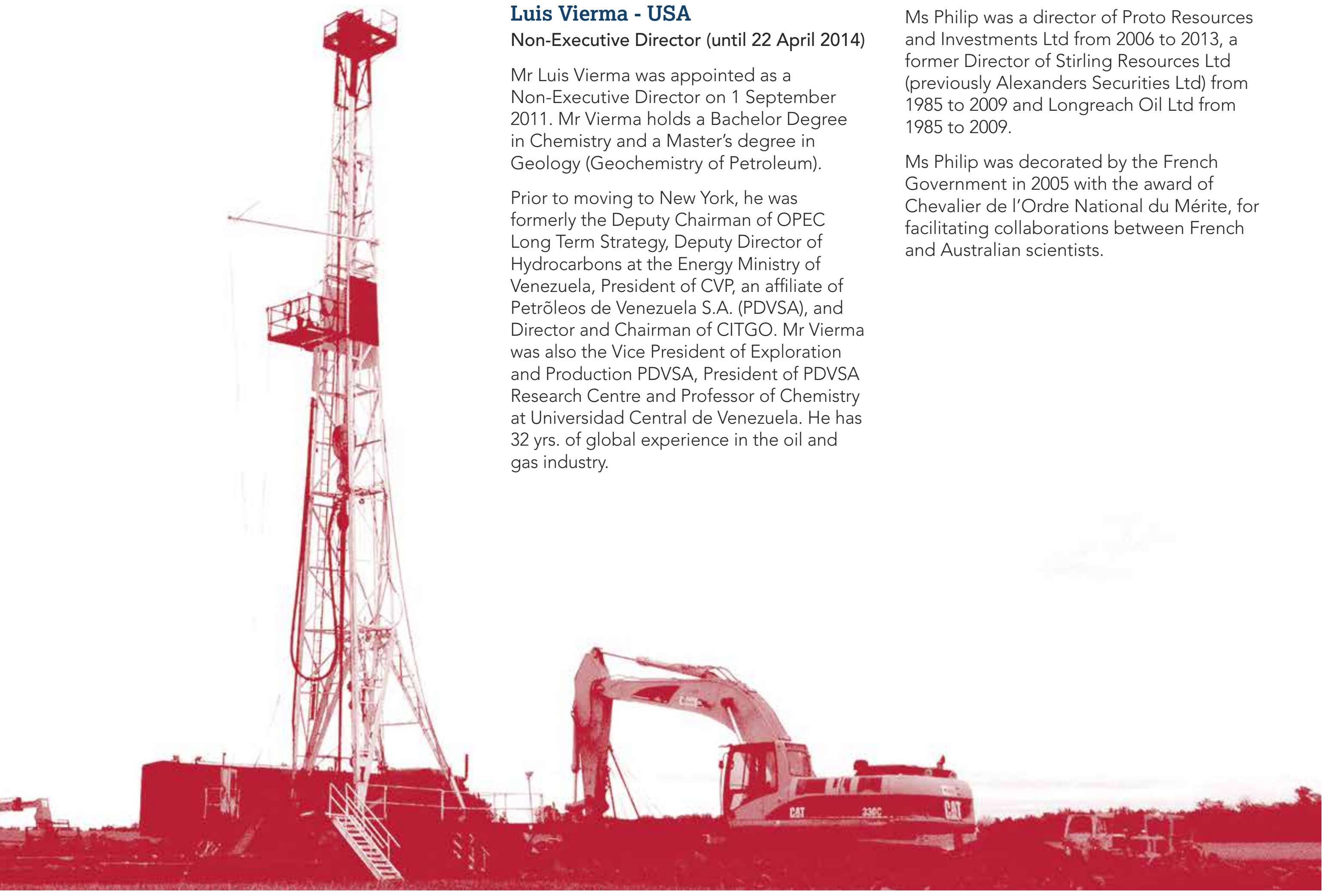
Kay Philip is a geophysicist whose background embraces project acquisition, financial analysis of resource projects and companies, mining exploration and management. Ms Philip has worked in the securities industry, conducting courses in Australia and South East Asia. She also has experience in the financial markets, involving rights issues and other capital raisings.

Ms Philip is an Honorary Associate in the School of Physics, University of Sydney.

She is a Senior Fellow of the Financial Services Institute of Australia (FINSIA), Member of the Association of International Petroleum Negotiators (AIPN), Member of the Australian Institute of Physics (AIP), Member Australian Society of Exploration Geophysicists (ASEG), and former Secretary of the Australian-French Association for Science and Technology (AFAS).

Ms Philip was a director of Proto Resources and Investments Ltd from 2006 to 2013, a former Director of Stirling Resources Ltd (previously Alexanders Securities Ltd) from 1985 to 2009 and Longreach Oil Ltd from 1985 to 2009.

Ms Philip was decorated by the French Government in 2005 with the award of Chevalier de l'Ordre National du Mérite, for facilitating collaborations between French and Australian scientists.



Key Management Personnel Disclosures

Directors

The names of the Directors at any time during the financial year ended 31 December 2014, unless otherwise indicated, were the following:

Non-Executive Directors	Position
Mr Michael Stone	Chairman and non-executive director (appointed 1 May 2014)
Mr Russell Krause	Non-executive director
Mr Nicholas Stone	Non-executive director
Mr Justin Clyne	Non-executive director (appointed 19 June 2014)
Ms Patricia Kay Philip	Non-executive director (resigned 19 June 2014)
Mr Luis Vierma	Non-executive director (resigned 22 April 2014)
Mr Dan Lanskey	Non-executive director (resigned 19 June 2014)

Executive Directors	Position
Mr Richard Adrey	Co-Managing Director from 1 November 2014 (Managing Director & Executive Chairman until 1 February 2014, Managing Director and Interim Chairman between 1 February 2014 and 1 May 2014 and Managing Director between 1 May 2014 and 1 November 2014)
Mr Nicholas Stone	Co-Managing Director (Non-executive director until 1 November 2014)
Dan Lanskey	Managing Director (until 1 February 2014)

Other Key Management Personnel	Position
Mr David Clark	Chief Financial Officer
Mr Justin Clyne	Company Secretary (appointed 1 January 2014)
Mr Tom Bloomfield	Company Secretary (resigned 24 January 2014)

Remuneration Report

The Board, in consultation with the Remuneration Committee, is responsible for determining and reviewing compensation arrangements for the directors and executive management. The Board assesses the appropriateness of the nature and amount of remuneration of key personnel on an annual basis. In determining the amount and nature of officers' packages, the Board takes into consideration the Company's financial and operational performance along with industry and market conditions.

The Committee has the authority to retain any outside advisor at the expense of the Company, without the Board's approval, at any time and has the authority to determine any such advisor's fees and other retention terms. For greater certainty, the Committee has sole authority to retain and terminate any consulting firm to be used to evaluate the Chief Executive Officer or the compensation of the Chief Executive Officer or any other officers or senior management personnel.

In setting corporate goals and objectives relevant to the Managing Director and Senior Executives' compensation, the Committee considers both short-term and long-term compensation goals and the setting of criteria around this. In relation to setting Directors' remuneration the Committee looks at and considers comparative data from similar companies.

This Remuneration Report outlines the arrangements which were in place during the year ended December 31, 2014, for the Directors and key management personnel.

2014	Short-term benefits		Post employee benefits US$	Share-based payments US$	Total US$	Consisting of options and performance rights %
	Directors Fees US$	Contract Fees US$				
Directors						
M. Stone [1]	80,000	—	—	14,159	94,159	15%
N.J. Stone [2]	32,628	50,000	—	14,159	96,787	28%
R.A. Adrey	—	346,500	—	452,496	798,996	57%
R.H. Krause	75,818	—	—	14,159	89,977	16%
J.B. Clyne [3]	—	188,643 ^	—	14,159	202,802	7%
D. Lanskey [4]	18,052	199,813	—	—	217,865	0%
P.K. Philip [5]	3,610	—	21,662	—	25,272	0%
L.F. Vierma [6]	14,442	—	—	—	14,442	0%
Total	**224,550**	**784,956**	**21,662**	**509,132**	**1,540,300**	
Other key management personnel						
D.W. Clark	—	75,818	—	—	75,818	0%
T. Bloomfield [7]	—	2,979	—	—	2,979	0%
Total	**—**	**78,797**	**—**	**—**	**78,797**	
Total	**224,550**	**863,753**	**21,662**	**509,132**	**1,619,097**	

1 Mr M. Stone was appointed Chairman and Non-Executive Director on 1 May 2014
2 Mr. N.J. Stone was appointed Co-Managing Director on 1 November 2014. Previously Mr N.J. Stone was a Non-Executive Director from 19 November 2013 until 31 October 2014
3 Mr J.B. Clyne was appointed a Non-Executive Director on 19 June 2014
4 Mr D Lanskey resigned as a Non-Executive Director on 19 June 2014
5 Ms P.K. Philip resigned as a Non-Executive Director on 19 June 2014
6 Mr L. Vierma resigned as a Non-Executive Director on 22 April 2014
7 Mr T. Bloomfield resigned as a Company Secretary on 24 January 2014
^ Included in Mr Clyne's contract fee of $188,643, is a cash bonus of USD $58,669 was paid to him for work completed in relation to the term loan facility with Macquarie Bank Limited

2013	Short-term benefits Directors Fees US$	Contract Fees US$	Post employee benefits US$	Share-based payments US$	Total US$	Consisting of options and performance rights %
Directors						
N.J. Stone	5,431	—	—	—	5,431	—
R.A. Adrey	—	343,469	—	92,748	436,217	21%
D. Lanskey	—	343,469	—	92,748	436,217	21%
P.K. Philip	32,435	—	14,039	—	46,474	—
K.H. Hung [1]	17,875	—	—	—	17,875	—
L.F. Vierma	46,474	—	—	—	46,474	—
R.H. Krause	79,392	—	—	—	79,392	—
Total	181,607	686,938	14,039	185,496	1,068,080	
Other key management personnel						
D.W. Clark	—	87,882	—	—	87,882	—
T. Bloomfield	—	37,663	—	—	37,663	—
Total	—	125,545	—	—	125,545	
Total	181,607	812,483	14,039	185,496	1,193,625	

1 Mr K.H. Hung resigned as a Non-Executive Director on 19 May, 2013.

Executive Directors

A summary of remuneration paid to AusTex Executive Directors is list below:-

A. Executive Chairman – Richard Adrey – President – International Energy Corporation

(Managing Director and Executive Chairman of AusTex Oil until 1 February 2014, Managing Director & Interim Chairman between 1 February 2014 and 1 May 2014 and Managing Director between 1 May 2014 and 1 November 2014)

Under an agreement dated 10 July 2010, between IEC and Richard Adrey and governed by the laws of Texas, U.S.A., IEC has set down further terms of employment for Richard Adrey as executive vice president, chief financial officer and a member of the board of directors of IEC. Mr Adrey was appointed to the position of Executive Chairman of AusTex Oil Limited on 31 May 2012.

Following an annual review of the Agreement in May 2012, the Board of AusTex approved an increase in the base payment to Richard from $300,000 to $330,000 per annum. A further increase of 15% per annum was approved subject to the Company achieving a minimum level of oil and gas production of 400 boe/day for 90 consecutive days. This increase occurred on 1 July 2013 as the target was achieved.

The term of the agreement is until 31 July 2016, unless terminated earlier.

Richard Adrey is required to perform the duties and exercise the powers consistent with his appointed positions and assigned to him by the board of AusTex, and to promote the interests of IEC and any group company. He is required to report directly to the AusTex board.

He will be reimbursed for all reasonable work related out-of-pocket expenses. This salary includes directors' fees. IEC will also provide Richard Adrey with, amongst other things, communication equipment for use at home or out of the office, and membership at the Petroleum Club.

Richard Adrey must keep any information in respect of IEC's business which is not in the public domain secret and confidential and not disclose such information to any third party without obtaining written consent. Richard Adrey will be under no restraints to conduct business or invest in the same industry as IEC, but will offer any investment opportunities of interest to IEC in priority to himself.

IEC has indemnified Richard Adrey against any liability incurred by him as an employee, officer or director of IEC, and against any loss, cost, damage, expense or liability which he suffers or incurs as a result of any litigation arising in connection with this agreement, other than something which is a material breach of the agreement or is contrary to express instructions.

The agreement can be terminated by Richard Adrey at any time with six months' notice. Alternatively, the agreement can be terminated by IEC if Richard Adrey is absent for medical reasons for a period longer than six months, is guilty of grave misconduct or wilful neglect, is of unsound mind, or in the event of a takeover or management change of IEC.

Mr Adrey is separately incentivised in respect of his performance with the Company through the grant of unlisted options in the Company convertible into ordinary shares and also through the issue of ordinary shares escrowed pending the attainment of certain milestones. Any such grant of options and/or shares is subject to shareholder approval with the terms and milestones outlined in the Company's Notice of Annual General Meeting at the time such approval is sought. Generally, a grant of options has vesting criteria surrounding remaining employed with the Company at the time of vesting and also an exercise price at or above the share price at the time of grant. A grant of shares has vesting criteria associated with remaining employed by the Company at the time of vesting.

B. Non-Executive Directors

Under the Company's Constitution, each Director (other than a Managing Director or an Executive Director) may be paid remuneration for services performed as a Director. The maximum amount of remuneration that may be paid to Non-Executive Directors is set at AUD$380,000 per annum. This remuneration may be divided amongst the Non-Executive Directors in such fashion as the Board may decide.

Aggregate non-executive director remuneration, presently, is approximately AUD$240,000 per annum noting that some non-executive directors' fees are paid in USD.

Under the Listing Rules, the maximum fees payable to Directors may not be increased without prior approval from the Company at a general meeting. Directors will seek approval from time to time in relation to fees as they think appropriate.

In addition, any Director who is called to perform extra services or to make special exertions or to undertake any executive or other work for the Company beyond their ordinary duties or go to reside abroad or otherwise for the purposes of the Company may, subject to the law, be remunerated as determined by the Directors. This sum may be either in addition to or in substitution for their share in their remuneration for ordinary services.

This concludes the Remuneration Report which has been audited.

Interests In The Company

As at the date of this report, the interests of the Directors in the securities of AusTex Oil Limited were:-

Director	Shares and Options	Shares and Options
Name	Direct	Indirect
Michael Stone	2,000,000 options exercisable at $0.175 each on the terms approved by shareholders at the Company's 2014 AGM	54,785,346 Ordinary Shares 186,352,089 Preference Shares
Richard Adrey	13,768,086 Ordinary Shares with 4,000,000 of those Ordinary Shares escrowed on the terms approved by shareholders at the Company's 2014 AGM; 5,000,000 options exercisable at $0.25 on or before 3 June 2016; 10,000,000 options exercisable at $0.175 each on the terms approved by shareholders at the Company's 2014 AGM	Nil
Russell Krause	2,000,000 options exercisable at $0.175 each on the terms approved by shareholders at the Company's 2014 AGM	Nil
Nicholas Stone	2,000,000 options exercisable at $0.175 each on the terms approved by shareholders at the Company's 2014 AGM	54,785,346 Ordinary Shares 186,352,089 Preference Shares
Justin Clyne	75,000 Ordinary Shares; 2,000,000 options exercisable at $0.175 each on the terms approved by shareholders at the Company's 2014 AGM	150,000 Ordinary Shares

Details of the movement in equity instruments (other than options and rights) held directly, indirectly or beneficially by Directors and Key Management Personnel and their related parties are as follows:

2014	Nature of holding Direct and/or indirect	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Ordinary Shares Directors					
M. Stone and N.J. Stone [1]	Indirect	47,225,492	—	7,559,854	54,785,346
R.A. Adrey	Direct	11,018,086	1,000,000 ^	5,000,000	17,018,086
R.H. Krause	Direct and indirect	—	—	—	—
J.B. Clyne [2]	Direct and Indirect	—	—	225,000	225,000
D. Lanskey [3]	Direct and indirect	2,652,145	—	(2,652,145)	—
P.K. Philip [4]	Direct and indirect	1,883,574	—	(1,883,574)	—
L.F. Vierma [5]	Direct and indirect	—	—	—	—
		62,779,297	1,000,000	8,249,135	72,028,432
Other key management personnel					
D.W. Clark	Direct and indirect	40,000	100,000	(40,000)	100,000
		40,000	100,000	(40,000)	100,000
Total Ordinary Shares		62,819,297	1,100,000	8,209,135	72,128,432
Preference shares					
M. Stone and N.J. Stone [1]	Indirect – Redeemable convertible preference (RCPA) shares	51,995,234	—	46,108,848	98,104,082
M. Stone and N.J. Stone [1]	Indirect – Redeemable preference (RPB) shares	46,771,433	—	41,476,574	88,248,007
Total Preference Shares		98,766,667	—	87,585,422	186,352,089

1 Michael Stone – The 54,785,346 Ordinary Shares are held in the name of Citicorp Nominees Pty Limited as nominee for Ptolemy Capital LLC and Ptolemy Energy Holdings LLC. Mr Stone is a shareholder and majority owner of Ptolemy Capital LLC. The Preference Shares are held in the name of Ptolemy Energy Holdings LLC which is a subsidiary of Ptolemy Capital LLC.

Nicholas Stone – The 54,785,346 Ordinary Shares are held in the name of Citicorp Nominees Pty Limited as nominee for Ptolemy Capital LLC and Ptolemy Energy Holdings LLC. Mr Stone is a shareholder and manager of Ptolemy Capital LLC. The Preference Shares are held in the name of Ptolemy Energy Holdings LLC which is a subsidiary of Ptolemy Capital LLC.

2 Mr J.B. Clyne was appointed a Non-Executive Director on 19 June 2014; 150,000 Shares are held indirectly in the name of Menerbes Pty Ltd <Menerbes Super Fund A/C>.

3 Mr D Lanskey resigned as a Non-Executive Director on 19 June 2014.

4 Ms P.K. Philip resigned as a Non-Executive Director on 19 June 2014.

5 Mr L. Vierma resigned as a Non-Executive Director on 22 April 2014.

^ 5,000,000 shares issued to Mr Adrey are subject to vesting criteria which, if not met by Mr Adrey, will be bought back by the Company pursuant to the provisions of the Corporations Act for nominal consideration only being a total of $1 for all shares which have not vested at the time of the buyback. If Mr Adrey does not meet the vesting criteria then he will only receive the Shares on a pro rata basis up until the point he ceases to be involved with the Company. The vesting criteria are that 1,000,000 shares will vest every 12 months provided Mr Adrey remains involved with the Company commencing on 29 July, 2014. The vesting dates are therefore 29 July, 2014, 29 July, 2015 29 July, 2016 29 July, 2017 and 29 July, 2018. In the event of a change of control or a successful completion of a takeover offer for all securities in the Company then all unvested Shares shall vest immediately to the Shareholder absolutely.

2013	Nature of holding Direct and/or indirect	Balance at the start of the year	Received during the year on the exercise of options	Other changes during the year	Balance at the end of the year
Ordinary Shares					
Directors					
N.J. Stone [1]	Indirect	—	—	47,225,492	47,225,492
R.A. Adrey	Direct	11,018,086	—	—	11,018,086
D. Lanskey	Direct and indirect	3,152,145	—	(500,000)	2,652,145
P.K. Philip	Direct and indirect	1,883,574	—	—	1,883,574
L.F. Vierma	Direct and indirect	—	—	—	—
R.H. Krause	Direct and indirect	—	—	—	—
		16,053,805	—	46,725,492	62,779,297
Other key management personnel					
D.W. Clark	Indirect	70,000	—	(30,000)	40,000
		70,000	—	(30,000)	40,000
Total Ordinary Shares		16,053,805	—	46,695,492	62,819,297
Preference shares					
N.J. Stone [1]	Indirect – Redeemable convertible preference (RCPA) shares	—	—	51,995,234	51,995,234
N.J. Stone [1]	Indirect – Redeemable preference (RPB) shares	—	—	46,771,433	46,771,433
Total Preference Shares		—	—	98,766,667	98,766,667

1 Mr N. Stone is a manager and shareholder of Ptolemy Capital LLC, the registered holder, but does not control or own more than 20% of the shares in Ptolemy Capital LLC or Ptolemy Energy Holdings LLC.

Share Options

Details of options and rights held directly, indirectly or beneficially by Directors and Key Management Personnel and their related parties are as follows:

2014	Balance at the the start of the year	Granted as compensation	Exercised during the year	Lapsed/other change during the year	Balance at the end of the year	Vested and exercisable at end of period
Directors						
M. Stone [1]	—	2,000,000 ^	—	—	2,000,000	—
N.J. Stone [2]	—	2,000,000 ^	—	—	2,000,000	—
R.A. Adrey	10,000,000	10,000,000 ^	(5,000,000)	—	15,000,000	5,000,000
R.H. Krause	6,000,000	2,000,000 ^	—	(6,000,000)	2,000,000	—
J.B. Clyne [3]	400,000	2,000,000 ^	—	(400,000)	2,000,000	—
D. Lanskey [4]	10,000,000	—	—	(10,000,000)	—	—
P.K. Philip [5]	—	—	—	—	—	—
L.F. Vierma [6]	—	—	—	—	—	—
	26,400,000	18,000,000	(5,000,000)	(16,400,000)	23,000,000	5,000,000
Other key management personnel						
D.W. Clark	100,000	—	(100,000)	—	—	—
	100,000	—	(100,000)	—	—	—
Total	26,500,000	18,000,000	(5,100,000)	(16,400,000)	23,000,000	5,000,000

1 Mr M. Stone was appointed Chairman and Non-Executive Director on 1 May 2014.

2 Mr. N.J. Stone was appointed Co-Managing Director on 1 November 2014. Previously Mr N.J. Stone was a Non-Executive Director from 19 November 2013 until 31 October 2014.

3 Mr J.B. Clyne was appointed a Non-Executive Director on 19 June 2014.

4 Mr D Lanskey resigned as a Non-Executive Director on 19 June 2014.

5 Ms P.K. Philip resigned as a Non-Executive Director on 19 June 2014.

6 Mr L. Vierma resigned as a Non-Executive Director on 22 April 2014.

^ Unlisted Options granted to the Directors as compensation vest pro rata every 6 months (except the last tranche which will vest 5 months after the previous tranche) provided the director remains involved with the consolidated entity: 29 January, 2015, 29 July 2015, 29 January, 2016, 29 July 2016, 29 January, 2017, 29 July 2017, 29 January, 2018, 29 July 2018, 29 January, 2019 and 29 June 2019. Any options which do no vest will lapse upon that director ceasing to be involved with the consolidated entity. In the event of a takeover or change of control of the consolidated all unvested options will vest immediately.

2013	Balance at the the start of the year	Granted as compensation	Exercised during the year	Lapsed/other change during the year	Balance at the end of the year	Vested and exercisable at end of period
Directors						
R.A. Adrey	6,000,000	5,000,000	—	(1,000,000)	10,000,000	10,000,000
D. Lanskey	6,000,000	5,000,000	—	(1,000,000)	10,000,000	10,000,000
R.H. Krause	6,000,000	—	—	—	6,000,000	6,000,000
	18,000,00	10,000,000	—	(2,000,000)	26,000,000	26,000,000
Other key management personnel						
D.W. Clark	100,000	—	—	—	100,000	100,000
J.B. Clyne	400,000	—	—	—	400,000	400,000
	500,000	—	—	—	500,000	500,000
Total	18,500,000	10,000,000	—	(2,000,000)	26,500,000	26,500,000

Options on issue at the date of this report are:

Grant Date	Number	Expiry Date	Exercise price	Number of holders
13 June 2012	25,257,627	13 June 2015	$0.20	9
24 Oct. 2012	20,000,000	24 Oct 2017	$0.15	9
3 Dec. 2012	10,000,000	3 Dec 2015	$0.20	1
3 June 2013	10,000,000	3 June 2016	$0.25	2
9 July 2014	18,000,000	29 July 2019	$0.175	5

Loss Per Share

The basic loss per share for AusTex Oil Limited for the period was 2.062 cents per share.

Results of Operations and Dividends

The consolidated entity's net loss after taxation attributable to the members of AusTex Oil Limited for the year ended to 31 December 2014 was $11,077,315 (excluding non controlling interests). The Directors of AusTex Oil have resolved not to recommend a dividend for the financial year ended 31 December 2014.

Financial Performance

The operating result of the consolidated entity decreased to a loss of USD $11,056,159 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.

The consolidated entity's financial performance for the five years to 31 December 2014 is noted below and the relationship between results and performance is discussed.

		12 months	12 months	12 months	9 months	12 months
Year Ended	**Measure**	**Dec-14**	**Dec-13**	**Dec-12**	**Dec-11**	**Mar-11**
Net loss after tax	USD	(11,056,159)	(1,081,457)	(3,424,573)	(4,343,001)	(2,043,440)
Net Assets	USD	59,324,823	55,017,546	37,989,538	22,059,528	21,165,910
Cash and cash equivalents	USD	14,900,640	16,999,489	12,381,859	659,255	2,653,735
Cash flows from operating activities	USD	10,578,169	3,277,496	(1,183,126)	(2,677,681)	(785,962)
EBITDA	USD	14,603,156	3,878,859	(493,099)	(2,132,227)	(1,287,039)
Share price at 30 June	USD cents	9.7884	12.4236	12.4608	9.1404	11.3674
Basic Earnings/ (loss) per share	USD cents	(2.21)	(0.25)	(1.04)	(1.64)	(1.00)

The principal activities of the consolidated entity consists 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.

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.

Corporate Structure

AusTex Oil Limited is a company limited by shares, which is incorporated and domiciled in Australia. 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)**			
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.

Nature of Operations and Principal Activities

The principal activities of the Group during the course of the financial year consisted of the development of oil leases in Oklahoma USA.

There has been no significant change in the nature of these activities during the year.

Employees

The Group employed 28 full-time employees and 1 part-time employee as at 31 December 2014.

Operating And Financial Review

AusTex Oil Limited (AOK) holds interests in oil and gas leases located in the States of Oklahoma and Kansas, within the United States of America. The interests are held through 6 wholly owned subsidiary companies as particularised in the list of Consolidated Entities under the Corporate Structure in this Directors' Report. USA operations are all managed from an office located at 1801 East 71st Street, Tulsa.

For the year ended 31 December 2014, the Gross Revenue from combined operations was $33,081,798 resulting in a gross profit of $22,310,638 after Cost of Sales of $10,771,160. A Net (After Tax) Loss of $11,056,159 was recorded.

The Group incurred an operating loss of $9,241,816 (2013: Operating Profit $1,105,156) for the twelve (12) months to 31 December 2014 which represents a $10,346,972 reduction in the operating loss when compared to the previous twelve (12) months to 31 December 2013.

Cash at bank at 31 December 2014 was $14,900,640 (2013: $16,999,489). Net Assets at 31 December 2014 was $58,860,823 (2013: $55,017,546) which represents a 7% increase from the 2013 year.

Oklahoma Operations

International Energy Corporation (Oklahoma) (IEC-OK) holds a 100% working interest and ~80% net revenue interest in ~600 acres oil and gas leases located near Tulsa and is the operator. Oil and gas is produced and sold to local purchasers.

IEC-OK holds interests in approx. 11,200 acres of oil and gas leases in Kay County, Northern Oklahoma. Development drilling on the project was the main activity of the company during the reporting period.

A total of 45 new Vertical production wells (not all were producing during the year) were drilled during the year and 1 new Salt Water Disposals well and production hub was completed.

Oil and gas production is expected to increase as the company continues to development new wells at this project. International Energy Company, LLC is the operator of the majority of the leases.

Kansas Operations

Given the success of the Snake River Project in Northern Oklahoma, 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 prioritises the acceleration of development and production at Snake River. After having discontinued most of its operations in Kansas throughout the course of 2014, the Company still benefits from its legacy tail of production which contributes approximately 8 boe/day to production.

International Energy Company (Kansas), the previous joint venture partner in Kansas was dissolved on 1 October 2014 and all interests in leases and oil and gas assets in Kansas were merged with International Energy Corporation (Oklahoma).

Ceasing to Trade on the TSX Venture Exchange (TSXV)

The Company applied for and received approval for delisting of its ordinary shares from the TSX Venture Exchange ("TSXV"). The ordinary shares of the Company were delisted from the TSXV at the close of trading on January 5, 2015. The Company has also received approval to cease as a reporting issuer in the jurisdictions of Alberta and British Columbia and no longer has any reporting obligations in Canada.

Significant Changes in the State of Affairs

There have been no significant changes in the state of affairs of the consolidated entity during the year.

Significant Events after the Balance Date

The Company applied for and received approval for delisting of its ordinary shares from the TSX Venture Exchange ("TSXV"). The ordinary shares of the Company were delisted from the TSXV at the close of trading on January 5, 2015. The Company has also received approval to cease as a reporting issuer in the jurisdictions of Alberta and British Columbia and no longer has any reporting obligations in Canada.

A Reserve Report on the company's oil and gas leases prepared by Pinnacle Energy Services LLC was released to the ASX on 2 March 2015 with the report undertaken on the Company's assets as at 31 December 2014.

Since the end of the financial year the Directors are not aware of any other 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.

Likely Developments and Expected Results

The Company intends to continue with exploration and development activities in the next financial year.

Environmental Regulations and Performance

The consolidated entity's operations are subject to certain laws regarding environmental matters and discharge of hazardous waste materials. The Group conducts its activities in an environmentally responsible manner in accordance with all applicable laws and regulations. The Group is not aware of any breaches in relation to environmental matters.

Indemnification and Insurance of Officers

Indemnification

The consolidated entity has indemnified the directors and officers of the company for costs incurred, in their capacity as a director or officer, for which they may be held personally liable, except where there is a lack of good faith.

Insurance Premiums

During the financial period the consolidated entity has paid premiums to insure each of the Directors and Officers against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of a Director or Officer of the Company, other than conduct involving a wilful breach of duty in relation to the Company.

The premiums paid are not disclosed as such disclosure is prohibited under the terms of the contract.

Indemnification and Insurance of Auditors

Indemnification

The consolidated entity has not, during or since the end of the financial period, indemnified or made any relevant agreement for indemnifying the auditor of the company or related body corporate against a liability incurred.

Insurance Premiums

During the financial period, the consolidated entity has not paid premiums in respect of a contract to insure the auditor of the company or related entity.

Proceedings On Behalf Of Company

No person has applied for leave of court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings. The Company was not a party to any such proceedings during the year.

Directors' Meetings

In addition to a regular monthly Board call in which all directors are required to participate to discuss the ongoing management and operations of the Company including such matters as health and safety, 11 formal board meetings were held during the financial year.

The number of meetings attended by each of the Directors of the Company during the financial year was:

Director	No. of meetings eligible to attend	No. of meetings attended
KM Stone	4	4
R Adrey	11	11
D Lanskey	4	4
K Philip	4	4
L Vierma	3	3
R Krause	11	10
N Stone	7	7
J Clyne	7	7

Note: Justin Clyne attended all 11 meetings held throughout the course of the year including the 7 he was entitled to attend in his capacity as a non-executive director. Of the 11 meetings held in 2014, 4 of those meetings did not include Michael Stone or Nicholas Stone who were excluded by the other members of the Board from attending due to their Material Personal Interest (as defined under the Corporations Act in the subject matter of the discussions) and the consideration of Related Party Issues that affected both Mr Michael Stone and Mr Nicholas Stone. The independent Board comprising Richard Adrey, Russell Krause and Justin Clyne did not consider it a proper exercise of their discretion to permit the remaining conflicted Board members to attend the meetings while these matters were being considered and voted upon.

Audit Committee

During the financial year, 2 meetings of the audit committee were held, attended by the members comprising Russell Krause, Ms K Philip and Mr N Stone. The Audit Committee members at the time of this report are Russell Krause and Justin Clyne being the only independent directors on the Board.

Director	No. of meetings eligible to attend	No. of meetings attended
K Philip	1	1
R Krause	2	2
N Stone	2	2
J Clyne	1	1

Auditor Independence and Non-Audit Services

Section 307C of the *Corporations Act 2001* requires the Company's auditors to provide the Directors of AusTex Oil Limited with an Independence Declaration in relation to the audit of the financial report. This Independence Declaration is attached to the Directors' Report. There were no non audit services provided by the Company's auditor.

This report is made and signed in accordance with a resolution of the Directors.

R A Adrey
Co-Managing Director

Sydney
31 March 2015

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Australia

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

As lead auditor of AusTex Oil Limited for the year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

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

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

Gareth Few

Gareth Few
Partner

BDO East Coast Partnership

Sydney, 31 March 2015

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Level 11, 1 Margaret St
Sydney NSW 2000

Australia

INDEPENDENT AUDITOR'S REPORT

To the members of AusTex Oil Limited

Report on the Financial Report

We have audited the accompanying financial report of AusTex Oil Limited, which comprises the consolidated statements of financial position as at 31 December 2014, the consolidated statements of profit or loss, consolidated statements of other comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Stat*ements, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the company's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, 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 report.

Opinion

In our opinion:

(a) the financial report of AusTex Oil Limited is in accordance with the *Corporations Act 2001*, including:

 (i) giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the year ended on that date; and

 (ii) complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 7 to 10 of the directors' report for the year ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of AusTex Oil Limited for the year ended 31 December 2014 complies with section 300A of the *Corporations Act 2001*.

BDO East Coast Partnership

BDO

Gareth Few

Gareth Few
Partner

Sydney, 31 March 2015

CORPORATE GOVERNANCE STATEMENT

The Group is engaged in the upstream oil and gas industry, with operations in the USA.

AusTex Oil Limited has adopted systems of control and accountability as the basis for the administration of corporate governance. In keeping with the spirit of the ASX *Corporate Governance Principles and Recommendations*, the company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for corporate governance practices, taking into account the evolving status of the Company and Board structure.

Further information about the Company's corporate governance practices is set out on the Company's website at *www.austexoil.com*. Information published on the Company's website includes a copy of this corporate governance statement.

The Company's corporate governance practices are structured with reference to the ASX ***Corporate Governance Council's Corporate Governance Principles and Recommendations with 2010 Amendments (second edition)***, as follows. Commencing with the Company's annual report for the 2015 year which will end on 31 December 2015 the Company will report against the third edition of the Corporate Governance Principles and Recommendations:

Principle 1	Lay solid foundations for management and oversight
Principle 2	Structure the Board to add value
Principle 3	Promote ethical and responsible decision-making
Principle 4	Safeguard integrity in financial reporting
Principle 5	Make timely and balanced disclosure
Principle 6	Respect the rights of shareholders
Principle 7	Recognise and manage risk
Principle 8	Remunerate fairly and responsibly

Additional Information and Explanation for Departures from Corporate Governance Principles and Recommendations

Principle 1: Lay solid foundations for management and oversight

1.1 Companies should establish the functions reserved to the board and those delegated to senior executives and disclose those functions.

The Company's Corporate Governance Plan includes a Board Charter, which discloses the specific responsibilities and functions of the Board and provides that the Board shall delegate responsibility for the day-to-day operations and administration of the Company to the Managing Director. As of 1 November 2014 the Company has two Managing Directors who fulfil this responsibility being Mr Richard Adrey and Mr Nicholas Stone, both of whom are based in the United States. The Board Charter also specifically outlines the role of the Company's Directors. Each function and its responsibility are outlined in the Board Charter which is available from the Company.

1.2 Companies should disclose the process for evaluating the performance of senior executives.

The Board will monitor the performance of senior management, including measuring actual performance against planned performance.

The Board Charter sets out the process to be followed in evaluating the performance of senior executives. Each senior executive is required to participate in a formal peer review process which assesses individual performance where any area of unsatisfactory performance is addressed with the relevant person.

1.3 Companies should provide the information indicated in the *Guide to reporting on Principle 1.*

The Board Charter is available from the Company. The Board Charter discloses the specific responsibilities of the Board. The Board delegates responsibility for the day-to-day operations and administration of the Company to the Co-Managing Directors from 1 November 2014.
Up until 31 January 2014, the day-to-day operations were delegated to Mr Richard Adrey (United States) and Mr Daniel Lanskey (Australia). From 1 February to 31 October 2014 this role was filled solely by Mr Adrey with assistance from the full Board where necessary. The Board Charter specifically outlines the Board's composition and role.

Due to the Company's rapid pace of development in 2014 and resignations from the Board throughout the course of the year, the Board deemed it appropriate to carry out an evaluation of senior executives on three occasions in the last year. These evaluations were carried out based on the criteria established by the Board in line with its policies and taking into account the Company's needs and phases of development at each evaluation. No formal evaluation has been planned for 2105 but it is anticipated that a further full evaluation of both senior executives and the Board will be carried out in the second half of the year.

Principle 2: Structure the Board to add value

2.1 A majority of the board should be independent directors.

Two of the five members of the current board (Russell Krause and Justin Clyne) both of whom are non-executive directors (with Justin Clyne also filling the role of Company Secretary) are considered to be independent directors. The remaining three directors are not considered to be independent. Mr Richard Adrey is not considered to be independent due to his role as an executive director of the Company being one of the Company's two Co-Managing Directors. While Mr Adrey is not an independent director there are times he is deemed to be independent for the purposes of considering transactions which involve the Company's major shareholder, Ptolemy Capital LLC, who has two directors appointed to the Board in Mr Michael Stone and Mr Nicholas Stone. During the course of 2014, it was necessary for Mr Adrey to form part of the independent board, in the absence of the Ptolemy appointed directors, to consider certain matters affecting the Ptolemy directors. Mr Michael Stone and Mr Nicholas Stone are not considered to be independent due to their role as a substantial, and the Company's largest, shareholder. The appointment of Mr Michael Stone and Mr Nicholas Stone arose from the Company's obligations under the capital raising conducted in November 2013 and approved by shareholders at an extraordinary general meeting of the Company on 24 January 2014.

The Board is of the view that it is currently structured in such a way so as to add value and is appropriate for the complexity and phase of the business at this time however the issue of independence will need to be monitored on an ongoing basis give the Company's non-adherence to this particular principle. The Board notes that it is only Mr Adrey's role as an executive director that prevents him from being classified as independent having no other relationship with the Company that would invoke such a classification.

During 2014 the Company advises the ratio of independent directors to total directors is as follows:

Period	Independent Directors	Names of Independent Directors	Total Directors	Names of Non-Independent Directors
1 January to 22 April 2014	3	Russell Krause, Luis Vierma and Kay Philip	6	Nicholas Stone, Richard Adrey and Daniel Lanskey
22 April to 1 May 2014	2	Russell Krause and Kay Philip (following resignation of Luis Vierma as a director)	5	Nicholas Stone, Richard Adrey and Daniel Lanskey
1 May to 19 June 2014	2	Russell Krause and Kay Philip	6	Nicholas Stone, Richard Adrey, Daniel Lanskey and Michael Stone (following appointment of Michael Stone on 1 May 2014)
19 June to 31 December	2	Russell Krause and Justin Clyne (following resignation of Kay Philip and appointment of Justin Clyne both on 19 June 2014)	5	Nicholas Stone, Richard Adrey and Michael Stone (following resignation of Daniel Lanskey as a director on 19 June 2014)

2.2 The chair should be an independent director.

The Chairman of the Board is Mr Michael Stone who is not an independent director however the Board considers that the benefit of having a Chairman with the expertise, profile and business acumen of Mr Stone is of far greater benefit to the Company at this point than appointing an independent director as Board Chair. As stated above with respect to the overall composition of non-independent directors on the Board the Board proposes to undertake a review of the Board towards the middle of 2015 year to ensure an appropriate level of independence, expertise and compliance with the ASX's Corporate Governance Principles and Recommendations.

2.3 The roles of chair and chief executive officer should not be exercised by the same individual.

The Company does not currently have a Chief Executive Officer however; the Company has two Co-Managing Directors who are responsible for the day to day operations and administration of the Company. The Chairman is Mr Michael Stone who does not fill an executive capacity within the Company.

2.4 The board should establish a nomination committee.

The Board as a whole currently serves as the Company's nomination committee. Terms and conditions of employees are negotiated by the Co-Managing Directors and/or the Remuneration Committee for recommendation to the Board. As the Company grows in size it is planned that the Company may implement a separate nomination committee with its own separate nomination committee charter. Throughout the course of 2014, the Co-Managing Directors undertook the process of reviewing suitable candidates for senior positions within the Company and then presenting their recommendations to the Board for review and, where appropriate, approval, rejection or a request for further information

2.5 Companies should disclose the process for evaluating the performance of the board, its committees and individual directors.

The performance of the Board and the various Board committees as and when established is to be evaluated by the Chairperson. The performance of each committee is measured against the scope and responsibilities detailed in their respective charters and the process for evaluating the performance of the Board, its committees and individual directors is to be disclosed by the Chairman.

Formal evaluations of the Board were conducted in January following the decision of Mr Daniel Lanskey to step down as Managing Director and in June 2014 following the decision of Ms Kay Philip and Mr Daniel Lanskey to retire from the Board and which resulted in the appointment of Mr Justin Clyne who held the role of Company Secretary at that time.

The Board is responsible for the evaluation and review of the performance of the Chairman and the effectiveness and programme of board meetings. The position of Chairman will be reviewed by the Board at the first Board meeting following the Annual General Meeting each year.

An evaluation of the Chairman and the effectiveness of board meetings will take place in the middle of 2015 at the same time as the planned full Board review. The programme of board meetings has been reviewed and modified to ensure timely information is reviewed by the board. In addition to formal board meetings held regularly throughout the course of the year, the Chairman has implemented a program of monthly board calls in which the board and relevant senior management are invited to attend and discuss any matter affecting them or the Company. Unlike formal board meetings there is no planned agenda with each participant given the opportunity to raise any matter they wish which can then, if necessary, be elevated to the Board at the following board meeting for consideration.

The Company's Corporate Governance Policies set out the process to be followed in evaluating the performance of senior executives. Each senior executive is required to participate in a formal peer review process which assesses individual performance where any area of unsatisfactory performance is addressed with the relevant person.

Non-Executive Directors are not entitled to any termination or retirement benefits.

2.6 **Companies should provide the information indicated in the *Guide to reporting on Principle 2.***

A description of the skills and experience of each director is contained within this annual report. Two of the five members of the current board (Mr Krause and Mr Justin Clyne) are considered to be independent directors in accordance with the definition of an independent director as contained in the Company's Board Charter. Mr Michael Stone and Mr Nicholas as a representative of the Company's largest shareholder, Ptolemy Capital LLC (Ptolemy), and Mr Nicholas Stone as a representative of Ptolemy and now a Co-Managing Director are not considered to be independent. Mr Nicholas Stone was previously considered to be independent due to his non-controlling interest in Ptolemy and the fact that he has no other relationship with AusTex, other than as a Non-Executive Director. However, due to Ptolemy increasing its relevant interest in the Company in 2014 and in transitioning from non-executive director to Co-Managing Director, the Board no longer believes such a classification is appropriate. Mr Richard Adrey is not considered to be independent due to his role as Co-Managing Director.

The Board is of the view that it is currently structured in such a way so as to add value and is appropriate for the complexity and phase of the business at this time.

The Board, Board Committees or individual Directors may seek independent external professional advice as considered necessary at the expense of the Company, subject to prior consultation with the Chairperson.

The Board, as a whole, will serve as the Company's nomination committee.

The Board will determine the procedure for the selection and appointment of new directors and the re-election of incumbents in accordance with the Company's constitution and having regard to the ability of the individual to contribute to the ongoing effectiveness of the Board, to exercise sound business judgement, to commit the necessary time to fulfil the requirements of the role effectively and to contribute to the development of the strategic direction of the Company. The policy for the appointment of new directors is set out in the Company's Board Charter which is available from the Company.

Mr Richard Adrey was appointed to the Board on 19 April 2006, Mr Russell Krause on 23 October 2012, Mr Nicholas Stone on 19 November 2013, Mr Michael Stone on 1 May 2014 and Mr Justin Clyne on 19 June 2014.

Principle 3: Promote ethical and responsible decision-making

3.1 **Companies should establish a code of conduct and disclose the code or a summary of the code as to:**
- **the practices necessary to maintain confidence in the company's integrity**
- **the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders**
- **the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.**

The Company's Corporate Governance Plan includes a number of policies and charters which provide a framework for decisions and actions in relation to ethical conduct in employment.

All of the Company's Corporate Governance Policies and Charters are available from the Company.

3.2 **Companies should establish a policy concerning diversity and disclose the policy or a summary of the policy. The policy should include requirements for the board to establish measureable objectives for achieving gender diversity and for the board to assess annually both the objectives and progress in achieving them.**

The Company has established a Diversity Policy which enshrines diversity and equality of employment throughout all levels of the Company.

The Company recognises that a talented and diverse workforce is a key element in ongoing growth and business success and endeavours to employ the best available personnel to manage and service the Company.

The policy is available from the Company and was lodged with the ASX on 3 December 2012.

3.3 **Companies should disclose in each annual report the measurable objectives for achieving gender diversity set by the Board in accordance with the diversity policy and progress towards achieving them.**

Having regard to the Company's size and operations, the objectives of the Board are to maintain the current levels of gender diversity across the Company. As the opportunity to recruit across the Company arises, new appointments will be made in accordance with the Company's Diversity Policy.

3.4 **Companies should disclose in each annual report the proportion of women employees in the whole organisation, women in senior executive positions and women on the board.**

The Company currently employs 3 women, all in senior executive positions but does not presently have a female Board member following the resignation of Ms Kay Philip in June 2014.

3.5 **Companies should disclose the information indicated in the *Guide to reporting on Principle 3.***

The Board confirms that the information required in this section of the Corporate Governance Principles and Guidelines is provided.

Principle 4: Safeguard integrity in financial reporting

4.1 **The board should establish an audit committee.**

The Company has established an Audit and Risk Management Committee and a copy of the policy is available from the Company.

4.2 - **The audit committee should be structured so that it:**
- **consists only of non-executive directors**
- **consists of a majority of independent directors**
- **is chaired by an independent chair, who is not chair of the board**
- **has at least three members.**

The Audit and Risk Management Committee currently has two members. Both members are independent non-executive directors. Mr Krause (Committee Chair) and Mr Justin Clyne are the members of the Committee and are considered independent. The Board does not believe it is appropriate to increase the size of the Committee to three members at this point given the remaining three directors are all considered not to be independent.

4.3 **The audit committee should have a formal charter.**

The Company's Corporate Governance Plan includes a formal charter for the Audit and Risk Management Committee.

4.4 Companies should provide the information indicated in the Guide to reporting on Principle 4.

The Committee will meet twice a year and at least once each year with the Company's Auditors. The Committee has powers under the Company's Audit & Risk Management Charter including unrestricted access to the Company's internal and external auditors and all Company records for the purposes of carrying out its responsibilities under the Charter. The Committee will recommend to the Board procedures for the selection and appointment of external auditors and for the rotation of external auditor partners. There were 2 meetings of the Committee held in 2014 noting that Mr Nicholas Stone resigned from the Committee on 18 December and Mr Justin Clyne was appointed in his place on the same day. Attendance at each Committee meeting is contained in the Directors' Report.

Principle 5: Make timely and balanced disclosure

5.1 **Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.**

The Company has a continuous disclosure program/policy in place designed to ensure compliance with the ASX Listing Rule on continuous disclosure and to ensure accountability at a senior executive level for compliance and factual presentation of the Company's financial position.

5.2 **Companies should provide the information indicated in *Guide to Reporting on Principle 5.***

A copy of the Company's continuous disclosure policy is available from the Company.

Principle 6: Respect the rights of shareholders

6.1 **Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.**

The Company's Corporate Governance Plan includes a shareholder communications strategy, which aims to ensure that the shareholders are informed of all major developments affecting the Company's state of affairs. This is contained within the Company's policies, and a copy is available from the Company.

6.2 **Companies should provide the information indicated in the Guide to reporting on *Principle 6.***

A copy of the shareholder communication policy of the Company is available from the Company.

Principle 7: Recognise and manage risk

7.1 **Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.**

The Board in conjunction with the Audit and Risk Management Committee determines the Company's "risk profile" and is responsible for overseeing and approving risk management strategy and policies, internal compliance and internal control.

The Company has established policies for the oversight and management of material business risks. A summary of the Audit and Risk Management Charter of the Company is available from the Company.

7.2 **The board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.**

The responsibility for undertaking and assessing risk management and internal control effectiveness is delegated to the Board in conjunction with the Audit and Risk Committee. The Board and Audit and Risk Management Committee are required to assess risk management and associated internal compliance and control procedures and will be responsible for ensuring the process for managing risks is integrated within business planning and management activities.

Reports on risk management are to be provided to the Board by the Audit and Risk Management Committee at the first Board meeting subsequent to each Committee meeting.

7.3 **The board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.**

Reports on risk management are to be provided to the Board by the Audit and Risk Management Committee.

The Board requests and receives the relevant assurance from the management and the executive director(s) at the relevant time.

7.4 **Companies should provide the information indicated in *Guide to Reporting on Principle 7.***

Reports on risk management are to be provided to the Board by the Audit and Risk Management Committee.

The Board will ensure that the report under Recommendation 7.2 is provided at the relevant time.

The Board will ensure that the management or the executive director(s) provide the assurance under Recommendation 7.3 at the relevant time.

Principle 8: Remunerate fairly and responsibly

8.1 **The board should establish a remuneration committee.**

The Board has established a separate Remuneration Committee.

8.2 **The remuneration committee should be structured so that it:**

- **consists of a majority of independent directors**
- **is chaired by an independent chair**
- **has at least three members.**

The Remuneration Committee currently has three members. Mr Justin Clyne (Committee Chair) and Mr Russell Krause are members of the Committee who are considered independent while the third member of the Committee, Mr Michael Stone, is not independent. The Board believes that it is structured appropriately to consider relevant matters and add value.

8.3 **Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.**

The Committee distinguishes the structure of non-executive directors' remuneration from that of executive directors and senior executives. The Company's Constitution and the Corporations Act also provides that the remuneration of non-executive Directors will be not be more than the aggregate fixed sum determined by a general meeting.

The Board is responsible for determining the remuneration of the executive directors (without the participation of the affected director).

8.4 **Companies should provide the information indicated in the *Guide to reporting on Principle 8.***

The Remuneration Committee ordinarily meets twice a year however in the past year only one formal meeting was held in April while at all other times all remuneration related issues were brought before the full Board for consideration in the absence of any affected director where appropriate. A copy of the Remuneration Committee Charter is available from the Company. The members of the Remuneration Committee throughout the past year were Mr Russell Krause, Ms Kay Philip (resigned from the Board and Committee 19 June), Mr Nicholas Stone (resigned from the Committee on 18 December) and Mr Justin Clyne and Mr Michael Stone (both appointed to the Committee on 18 December). All non-executive directors are consulted on remuneration issues.

A summary of the Company's policy on prohibiting transactions in associated products which operate to limit the risk of participating in unvested entitlements under any equity based remuneration scheme is contained within the Remuneration Committee Charter.

This corporate governance statement is current as at 24 April 2015 and approved by the Board of Directors.

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	2	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)
Share based payments and options expense		(1,485,088)	(341,148)
Other income	2	305,437	105,966
Total Other Expenses		(1,410,343)	(2,186,613)
Net Loss before income taxes		(10,652,159)	(1,081,457)
Income tax expense		(404,000)	—
Net Loss for the year	3	(11,056,159)	(1,081,457)
Earnings per share			
– Basic earnings per share	5	($0.0221)	($0.0025)
– Diluted earnings per share	5	($0.0221)	($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

	2014 US$	Restated (Note 1) 2013 US$
Net Loss for the year	(11,056,159)	(1,081,457)
Other comprehensive income, net of tax:		
Items that may be reclassified to profit or loss in subsequent periods		
Exchange differences on translation of foreign operations	366,461	535,271
Other comprehensive income for the year, net of tax	366,461	535,271
Total comprehensive loss for the year	(10,689,698)	(546,186)
Loss attributable to:		
Owners of AusTex Oil Limited	(11,077,315)	(1,081,457)
Non-controlling interests	21,156	—
	(11,056,159)	(1,081,457)
Total comprehensive income/(loss) for the year		
Owners of AusTex Oil Limited	(10,710,854)	(546,186)
Non-controlling interests	21,156	—
	(10,689,698)	(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	7	14,900,640	16,999,489	12,381,859
Trade and other receivables	8	2,144,304	1,918,665	1,070,681
Inventories	9	429,038	445,274	223,395
Derivatives	10	3,847,830	—	—
Other assets	11	391,274	397	269,421
Total Current Assets		21,713,086	19,363,825	13,945,356
Non Current Assets				
Exploration and evaluation assets	12	—	1,600,203	3,434,252
Oil and gas assets	13	49,839,892	36,410,162	23,648,384
Property, plant & equipment	14	1,027,958	3,725,967	2,646,365
Intangible assets	15	—	35,804	39,315
Derivatives	10	1,700,004	—	—
Other assets	11	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	16	2,088,850	1,517,228	922,051
Borrowings	17	916,937	4,296,007	4,727,397
Total Current Liabilities		3,005,787	5,813,235	5,649,448
Non Current Liabilities				
Borrowings	17	11,427,232	152,925	182,511
Provisions	18	276,229	280,000	—
Deferred Tax Liability	19	404,000	—	—
Total Non Current Liabilities		12,107,461	432,925	182,511
Total Liabilities		15,113,248	6,246,160	5,831,959
Net Assets		59,324,823	55,017,546	37,989,538
Equity				
Issued capital	20	89,830,381	71,994,601	54,804,790
Reserves	22	492,486	4,696,362	2,636,470
Accumulated losses		(31,269,200)	(21,673,417)	(19,451,722)
Total equity attributable to equity holders of the Company		59,053,667	55,017,546	37,989,538
Non controlling interest	21	271,156	—	—
Total Equity		59,324,823	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 years ended 31 December 2014 and 31 December 2013

	Share Capital US$	Convertible Note Equity Reserve US$	Foreign Currency Translation Reserve US$	Options Expense Reserve US$	Shared Based Payments Reserve $US	Accumulated Losses US$	Non Controlling Interest US$	Total 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)	—	—	1,140,239	—	(1,140,239)	—	(305,029)
Balance (corrected) at 1 January 2013	54,499,761	2,938,896	(1,048,764)	1,886,577	(20,591,961)		37,684,509	
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 in their capacity as 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 owners in their capacity as owners	17,494,840	—	299,990	84,393	—	—	—	17,879,223
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	—	—	—	—	—	**(11,077,315)**	**21,156**	**(11,056,159)**
Other Comprehensive income	—	—	**366,461**	—	—	—	—	**366,461**
Total comprehensive income for the year	—	—	**366,461**	—	—	**(11,077,315)**	**21,156**	**(10,689,698)**
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**	**(31,269,200)**	**271,156**	**59,324,823**

The consolidated statement of changes in equity 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 US$	Restated (Note 1) 2013 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	26	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	7	14,900,640	16,999,489

The consolidated statement of cashflows 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 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 "Group"). AusTex Limited is the ultimate parent entity of the Group.

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)**			
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.

Segment reporting

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") and associated statutory reporting and disclosure obligations. 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 and 2 non-executive directors as required under the Company's Constitution, are in the United States.

Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') and the *Corporations Act 2001*, as appropriate for for-profit entities. These financial statements also comply with International Financial Reporting Standards as issued by the International Accounting Standards Board ('IASB').

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 accrual 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 31 March 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 Group 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 Group controls an investee if and only if the Group 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 Group during the year, the financial performance of those entities are included only for the period of the year that they were controlled.

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

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

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.

Note 1: Statement of significant accounting policies (continued)

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 is more relevant and 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$0.964 as at 1 January 2013 and US$1:A$1.237 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 unit 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 (Note 1b). The pro forma effect of the change on the year ended 31 December 2013 would have been to increase Depreciation and Depletion 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 three 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(b) 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.

(3) An error was identified subsequent to the release of the Appendix 4E related to Deferred Tax Liabilities. The effect on the financial statements is a decrease in the liability of $464,000 and a corresponding decrease in Income Tax Expense for the financial period of $464,000.

e. Income tax

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

Current income tax expense in the consolidated statement of profit or loss 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 income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well as unused tax losses.

Current and deferred income tax expense (income) is charged or credited directly to equity instead of the profit or loss when the tax relates to items that are credited or charged directly to equity.

Deferred tax assets and liabilities are ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax assets also result where amounts have been fully expensed but future tax deductions are available. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss. Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates enacted or substantially enacted at the end of the reporting period. Their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where a legally enforceable right of set-off exists, the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

Note 1: Statement of significant accounting policies (continued)

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.

f. Inventories

Inventories for materials and supplies are stated at the lower of average costs incurred and net realisable value and for oil and gas an estimated net realisable value based on these products' current market price. Major types of inventories include materials and supplies and oil and gas.

g. Property, plant and equipment

Each class of property, plant and equipment is carried at cost, less, where applicable, any accumulated depreciation and impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the consolidated statement of profit or loss during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including capitalised lease assets is depreciated using the reducing balance method over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rate
Leasehold improvements	20%–32%
Plant and equipment	10%–25%
Leased plant and equipment	10%–25%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the consolidated statement of profit or loss.

Oil and gas assets

The cost of oil and gas producing assets and capitalised expenditure on oil and gas assets under development are accounted for separately and are stated at cost less accumulated depreciation and impairment losses. Costs include expenditure that is directly attributable to the acquisition or construction of the item as well as past exploration and evaluation costs.

In addition, costs include, (i) the initial estimate at the time of installation and during the period of use, when relevant, the costs of dismantling and removing the items and restoring the site on which they are located and, (ii) changes in the measurement of existing liabilities recognised for these costs resulting from changes in the timing or outflow of resources required to settle the obligation or from changes in the discount rate.

When an oil and gas asset commences production, costs carried forward will be amortised on a units of production basis over the life of the economically recoverable reserves. Changes in factors such as estimates of economically recoverable reserves that affect amortisation calculations do not give rise to prior financial period adjustments and are dealt with on a prospective basis.

h. Exploration and development expenditure

Exploration and evaluation expenditure including costs of acquiring mineral interests are accumulated in respect of each separate area of interest. Exploration costs including personnel costs, geological, geophysical, seismic and drilling costs are capitalised and carried forward provided that rights to tenure of the areas of interest are current and either there is a reasonable probability of recoupment through successful development and exploitation or sale, or where exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence of economically recoverable reserves, and active and significant exploration operations are continuing. When an area of interest is approved for development the accumulated expenditure is transferred to oil and gas assets.

Accumulated costs in relation to an abandoned area are written off in full against profit in the year in which the decision to abandon the area is made.

When production commences, the accumulated costs for the relevant area of interest are amortised over the life of the area according to the rate of depletion of the economically recoverable reserves.

A regular review is undertaken of each area of interest to determine the appropriateness of continuing to carry forward costs in relation to that area of interest.

i. Environmental costs

As the Group is directly involved in the extraction and use of natural resources, it is subject to various federal, state and local provisions regarding environmental and ecological matters. Compliance with these laws may necessitate significant capital outlays; however, to date the Group's cost of compliance has been insignificant. The Group does not believe the existence of current environmental laws or interpretations thereof will materially hinder or adversely affect the Group's business operations; however, there can be no assurances of future effects on the Group of new laws or interpretations thereof.

Environmental expenditures are capitalized if the costs mitigate or prevent future contamination or if the costs improve environmental safety or efficiency of existing assets. Expenditures that relate to an existing condition caused by past operations that have no future economic benefits are expensed.

Environmental liabilities, which historically have not been material, are recognized when it is probable that a loss has been incurred and the amount of that loss is reasonably estimable. Environmental liabilities, when accrued, are based upon estimates of expected future costs. At 31 December 2014 and 2013, there were no such costs accrued.

Note 1: Statement of significant accounting policies (continued)

j. Asset retirement obligations

The Group records a liability for asset retirement obligations (ARO) equal to the fair value of the estimated cost to retire an asset. The ARO liability is initially recorded in the period in which the obligation meets the definition of a liability.

Asset retirement obligations primarily relate to the abandonment of natural gas and oil producing facilities and include costs to dismantle and relocate or dispose of production platforms, gathering systems, wells and related structures. Estimates are based on historical experience of plugging and abandoning wells, estimated remaining lives of those wells based on reserve estimates, external estimates as to the cost to plug and abandon the wells in the future and federal and state regulatory requirements. Depreciation of capitalized asset retirement costs is determined on a units-of-production basis.

When the liability is initially recorded, the Group increases the carrying amount of the related long-lived asset by an amount equal to the original liability. The liability is increased over time to reflect the change in its present value, and the capitalized cost is depreciated over the useful life of the related long-lived asset. The Group re-evaluates the adequacy of its recorded ARO liability at least annually. Actual costs of asset retirements such as dismantling oil and gas production facilities and site restoration are charged against the related liability. Any difference between costs incurred upon settlement of an asset retirement obligation and the recorded liability is recognized as a gain or loss in the Group's earnings.

k. Employee benefits

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period.

i) *Short term obligations*
   Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled.

ii) *Share based payments*
   The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the option reserve. The fair value of options is determined using the using the Cox Ross Rubenstein (CRR) or binomial pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

l. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

m. Financial instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (ie trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified 'at fair value through profit or loss', in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. *Fair value* represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

a) the amount at which the financial asset or financial liability is measured at initial recognition;
b) less principal repayments;
c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the *effective interest method*; and
d) less any reduction for impairment.

The *effective interest method* is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i) *Financial assets at fair value through profit or loss*
   Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii) *Loans and receivables*
   Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

   Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period. (All other loans and receivables are classified as non-current assets).

Note 1: Statement of significant accounting policies (continued)

iii) *Held-to-maturity investments*
Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other investments are classified as current assets).

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

iv) *Available-for-sale financial assets*
Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period. (All other financial assets are classified as current assets).

v) *Financial liabilities*
Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value
Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment
At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the consolidated statement of profit or loss.

Financial guarantees
Where material, financial guarantees issued, which require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due, are recognised as a financial liability at fair value on initial recognition.

The guarantee is subsequently measured at the higher of the best estimate of the obligation and the amount initially recognised less, when appropriate, cumulative amortisation in accordance with AASB 118: Revenue. Where the entity gives guarantees in exchange for a fee, revenue is recognised under AASB 118.

The fair value of financial guarantee contracts has been assessed using a probability weighted discounted cash flow approach. The probability has been based on:

- the likelihood of the guaranteed party defaulting in a year period;
- the proportion of the exposure that is not expected to be recovered due to the guaranteed party defaulting; and
- the maximum loss exposed if the guaranteed party were to default.

Derivative financial instruments
The consolidated entity makes use of derivative instruments to manage certain risks related to commodity prices, interest rates and foreign currency exchange rates. The use of derivative instruments for risk management is covered by operating policies and is closely monitored by the Group's senior management. The Group does not hold any derivatives for speculative purposes and it does not use derivatives with leveraged or complex features.

The consolidated entity has a risk management control system to monitor commodity price risks and any derivatives obtained to manage a portion of such risks. For accounting purposes, the Group has not designated commodity and foreign currency derivative contracts as hedges, and therefore, it recognizes all gains and losses on these derivative contracts in its consolidated statement of profit or loss.

De-recognition
Financial assets are de-recognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are de-recognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

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

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

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

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

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

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

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

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

Note 1: Statement of significant accounting policies (continued)

o. Intangibles

Intangible assets acquired separately or in a business combination are initially measured at cost. The cost of an intangible asset acquired in a business combination is its fair value as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalised and expenditure is recognised in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortised over the useful life and tested for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at the end of each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense (if any) on intangible assets with indefinite lives is recognised in profit and loss in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortised. The useful life of an intangible asset with an indefinite life is reviewed each reporting period to determine whether indefinite life assessment continues to be supportable. If not the change in the useful life assessment from indefinite to finite is accounted for as a change in an accounting estimate and is thus accounted for on a prospective basis.

p. Foreign currency transactions and balances

Functional and presentation currency

The functional currency of each of the Group's entities is measured using the currency of the primary economic environment in which that entity operates. Refer to Note 1(b).

Transactions and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the year-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items are recognised in the statement of profit or loss, except where deferred in equity as a qualifying cash flow or net investment hedge.

Exchange differences arising on the translation of non-monetary items are recognised directly in equity to the extent that the gain or loss is directly recognised in equity, otherwise the exchange difference is recognised in the statement of other comprehensive income.

Group companies

The financial results and position of foreign operations whose functional currency is different from the Group's presentation currency are translated as follows:

- assets and liabilities are translated at year-end exchange rates prevailing at the end of the reporting period;
- income and expenses are translated at average exchange rates for the period; and,
- retained earnings are translated at the exchange rates prevailing at the date of the transaction.

Exchange differences arising on translation of foreign operations are transferred directly to the Group's foreign currency translation reserve in the statement of financial position. These differences are recognised in the statement of comprehensive income in the period in which the operation is disposed.

q. Provisions

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

r. Cash and cash equivalents

Cash and cash equivalents include cash on hand, bank deposits and other highly liquid investments.

s. Trade and other receivables

Trade and other receivables are measured at amortised cost, less provision for impairment. The amount of the impairment loss is recognised in the consolidated statement of profit or loss.

t. 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.

All revenue is stated net of the amount of goods and services tax (GST).

u. Trade and other payables

Trade and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the Group during the reporting period which remains unpaid. The balance is recognised as a current liability with the amount being normally paid within 30 days of recognition of the liability.

v. Borrowings

Borrowings are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest rate method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with AusTex accounting policy for borrowing costs.

Borrowings are classified as current unless the Group has an unconditional right to defer the settlement of the liability for at least 12 months after the reporting date.

w. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in the consolidated statement of profit or loss in the period in which they are incurred.

Note 1: Statement of significant accounting policies (continued)

x. Goods and Services Tax (GST)

Australian revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cashflows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

y. Preference shares

Preference shares are separated into liability and equity components based on the terms of the contract.

On issuance of the preference shares, the fair value of the liability component is determined using the Cox Ross Rubenstein or binominal pricing model. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption.

The remainder of the proceeds, if any, is allocated to the conversion option that is recognised and included in equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not re-measured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible preference shares based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

z. Comparative figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year.

aa. Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

Key estimates

(i) *Impairment*
The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions in relation to price, production, discount rate and costs of production.

Key judgments

ii) *Exploration and Evaluation Expenditure*
The Group capitalises expenditure relating to exploration and evaluation where it is considered likely to be recoverable or where the activities have not reached a stage which permits a reasonable assessment of the existence of reserves. Such capitalised expenditure is carried at 31 December 2013 was $1,803,249 and at 31 December 2014 was written down to zero following the transfer of Exploration and Evaluation Expenditure to Oil and Gas Assets and written-off completely at the end of the year.

iii) *Fair value of financial instruments*
Management apply valuation techniques to determine the fair value of financial instruments (where active market quotes are not available) and non-financial assets. This involves developing estimates and assumptions consistent with how market participants would price the instrument. Management bases its assumptions on observable data as far as possible but this is not always available. In that case management uses the best information available. Estimated fair values may vary from the actual prices that would be achieved in an arm's length transaction at the reporting date.

iv) *Preference shares*
In the 2013 financial statements, the Group made a significant judgement about the classification of preference shares.

The Group follows the guidance of AASB 132 *Financial Instruments Presentation* to determine when preference shares are separated into liability and equity components. This determination requires significant judgement. In making this judgement, the Group evaluates, among other factors, the substance of the preference shares contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument in AASB 132. The Redeemable Convertible Preference A (RCPA) shares and Redeemable Preference B (RPB) shares are converted into ordinary shares at a fixed conversion price. AASB 132 states that a contract that will be settled by the entity (receiving or) delivering a fixed number of its own equity instruments in exchange for a fixed amount of cash or another financial asset is an equity instrument. Therefore, in accordance with the definitions in AASB 132 paragraph 11, RCPA and RPB preference shares are characterised as equity as opposed to liabilities and fall outside the definition of a financial liability in AASB 132 paragraphs 11(a) & 11(b). Other determining factors include the fact that the preference shares are not puttable financial instruments within the definitions of AASB 132 and are non-derivative financial instruments.

v) Reserves
Proved reserves are estimated by reference to available geological and engineering data and only include volumes for which access to market is assured with reasonable certainty. Estimates of oil and gas reserves are inherently imprecise, require the application of judgement and are subject to regular revision, either upward or downward, based on new information such as from the drilling of additional wells, observation of long-term reservoir performance under producing conditions and changes in economic factors, including product prices, contract terms or development plans.

Changes to estimates of proved developed reserves affect prospectively the amounts of depreciation, depletion and amortisation charged and, consequently, the carrying amounts of oil and gas properties. The outcome of, or assessment of plans for, exploration or appraisal activity may result in the related capitalised exploration drilling costs being recorded in income in that period.

ab. Adoption of new accounting standards and interpretations

The Group has adopted all new and amended Australian Accounting Standards and Interpretations effective from 1 January 2014. The adoption did not result in any significant changes to the Group's accounting policies.

- AASB 2012-3: Amendments to Australian Accounting Standards-Offsetting Financial Assets and Financial Liabilities (applicable for annual reporting periods commencing on or after 1 January 2014).
  This Standard adds application guidance to AASB 132: Financial Instruments: Presentation to address potential inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement. This standard did not have a significant impact on the Group's financial statements.

Note 1: Statement of significant accounting policies (continued)

- **AASB 2011-4 Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements removes the individual key management personnel (KMP) disclosures contained in Aus paragraphs 29.1 to 29.9.3.**
  This standard amends AASB 124 'Related Party Disclosures' by removing the disclosure requirements for individual Key Management Personnel ('KMP'). Corporations and Related Legislation Amendment Regulations 2013 and Corporations and Australian Securities and Investments Commission Amendment Regulation 2013 (No.1) now specify the KMP disclosure requirements to be included within the directors' report which the group has applied at Note 27.

- **AASB 2013–3: Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets**
  Applicable for the financial year ended 31 December 2014, this standard amends the disclosure requirements in AASB 136: Impairment of Assets pertaining to the use of fair value in impairment assessment. Such amendments address disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. This standard did not have a significant impact on the Group's financial statements.

- **AASB 2013-4: Amendments to Australian Accounting Standards - Novation of Derivatives and Continuation of Hedge Accounting**
  These amendments are applicable to annual reporting periods beginning on or after 1 January 2014 and amends AASB 139 'Financial Instruments: Recognition and Measurement' to permit continuation of hedge accounting in circumstances where a derivative (designated as hedging instrument) is novated from one counter party to a central counterparty as a consequence of laws or regulations. The adoption of these amendments did not have a material impact on the consolidated entity.

- **Annual Improvements to IFRSs 2010-2012 Cycle**
  These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects several Accounting Standards as follows: Amends the definition of 'vesting conditions' and 'market condition' and adds definitions for 'performance condition' and 'service condition' in AASB 2 'Share-based Payment'; Amends AASB 3 'Business Combinations' to clarify that contingent consideration that is classified as an asset or liability shall be measured at fair value at each reporting date; Amends AASB 8 'Operating Segments' to require entities to disclose the judgements made by management in applying the aggregation criteria; Clarifies that AASB 8 only requires a reconciliation of the total reportable segments assets to the entity's assets, if the segment assets are reported regularly; Clarifies that the issuance of AASB 13 'Fair Value Measurement' and the amending of AASB 139 'Financial Instruments: Recognition and Measurement' and AASB 9 'Financial Instruments' did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amount, if the effect of discounting is immaterial; Clarifies that in AASB 116 'Property, Plant and Equipment' and AASB 138 'Intangible Assets', when an asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount (i.e. proportional restatement of accumulated amortisation); and Amends AASB 124 'Related Party Disclosures' to clarify that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a 'related party' of the reporting entity. The adoption of these amendments from 1 January 2014 will not have a material impact on the consolidated entity.

- **Annual Improvements to IFRSs 2011-2013 Cycle**
  These amendments are applicable to annual reporting periods beginning on or after 1 July 2014 and affects four Accounting Standards as follows: Clarifies the 'meaning of effective IFRSs' in AASB 1 'First-time Adoption of Australian Accounting Standards'; Clarifies that AASB 3 'Business Combination' excludes from its scope the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself; Clarifies that the scope of the portfolio exemption in AASB 13 'Fair Value Measurement' includes all contracts accounted for within the scope of AASB 139 'Financial Instruments: Recognition and Measurement' or AASB 9 'Financial Instruments', regardless of whether they meet the definitions of financial assets or financial liabilities as defined in AASB 132 'Financial Instruments: Presentation'; and Clarifies that determining whether a specific transaction meets the definition of both a business combination as defined in AASB 3 'Business Combinations' and investment property as defined in AASB 140 'Investment Property' requires the separate application of both standards independently of each other. The adoption of these amendments from 1 January 2014 will not have a material impact on the consolidated entity.

ac. New standards and interpretations not yet adopted.

A number of new standards, amendments to standards and interpretations are not mandatory for annual periods ending on 31 December 2014 and have not been applied in preparing these consolidated financial statements. The Group's assessment of the impact of these new standards, amendments to standards and interpretations is set out below.

- **AASB 9: Financial Instruments (December 2010) and AASB 2010–7: Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)**
  AASB 9 introduced new requirements from the classification, measurement and de-recognition of financial assets and financial liabilities and is applicable for the financial year ended 31 December 2015.

  Application of AASB 9 is not expected to have a significant impact on the Group's accounting for financial assets and financial liabilities. The new hedging rules align hedge accounting more closely with the Group's risk management practices. As a general rule it will be easier to apply hedge accounting going forward. The new standard also introduces expanded disclosure requirements and changes in presentation. AASB 9 is effective for annual periods beginning on or after 1 January 2015, and is available for early adoption.

- **IFRS 15: Revenue from Contracts with Customers**
  Applicable for the financial year ended 31 December 2017, the core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps:
  a) Step 1: Identify the contract(s) with a customer
  b) Step 2: Identify the performance obligations in the contract
  c) Step 3: Determine the transaction price
  d) Step 4: Allocate the transaction price to the performance obligations in the contract
  e) Step 5: Recognise revenue when (or as) the entity satisfies a performance

There are no other new and revised accounting standards which are expected to have a material impact on the group.

There are no other standards that are not yet effective that are expected to have a material impact on the Group's consolidated financial statements in the current or future reporting periods.

Note 2: Revenue and other income

	2014 US$	Restated 2013 US$
Revenue from continuing operations		
Revenue		
– Sale of oil and gas	27,583,831	16,394,040
– Gain from derivatives	5,497,967	—
Total revenue	33,081,798	16,394,040
Total Revenue from continuing operations	33,081,798	16,394,040
Other income		
– Profit/(Loss) on disposal of non current assets	37,288	51,483
– Interest received	43,927	29,819
– Sale of scrap metal	8,224	8,491
– Insurance recoveries	—	10,333
– Gain on conversion of convertible notes	199,156	—
– Sundry income	16,842	5,840
Total other income	305,437	105,966
Total revenue and other income from continuing operations attributable to members of parent entity	33,387,235	16,500,006

Note 3: Loss for the year

	2014 US$	Restated 2013 US$
Loss before income tax includes the following expenses:		
– Foreign currency exchange losses	—	655,428
– Options expense	1,103,388	—
– Share based payments expense	381,701	—
– Rental expense on operating leases	90,327	114,495
a. Significant expenses		
The following significant expense items are relevant in explaining the financial performance:		
– Listing and listing advisory costs (TSX, OTCQX)*	—	512,204
– Asset impairment expense	—	2,988,424

* Listing and listing advisory costs (TSX, OTCQX) refer to legal, professional and compliance costs incurred for the 2013 listing on the Canadian TSX Venture Exchange.

Note 4: Income tax expense

	2014 US$	Restated 2013 US$
a. Income tax expense	404,000	—
The prima facie income tax (expense)/benefit on the pre-tax accounting profit (loss) reconciles to the income tax expense in the accounts as follows:		
Net Loss before income tax	(11,056,159)	(1,081,457)
Income tax expense/(benefit) at 30%	(3,316,848)	(324,437)
Expenses not deductible	303,339	1,104,840
Deferred tax assets not brought to account	3,417,509	(780,403)
Income Tax Expense	404,000	—

Weighted average effective tax rate tax rate is zero due to tax losses.

	2014 US$	Restated 2013 US$
b. Unrecognised tax losses and timing differences		
Unused tax losses for which no deferred tax asset has been recognised.	11,698,270	10,715,636
Potential tax benefit @ 30% (Dec 2013 – 30%)	3,509,481	3,214,691

All unused tax losses were incurred by the Australian parent entity.

Note 4: Income tax expense (continued)

Deferred tax
Statement of financial position
Deferred tax relates to the following:

Deferred tax liabilities		
Unrealised derivative gain	505,227	—
Excess depletion charged	680,914	—
Exploration and evaluation assets	—	480,061
Oil and gas assets	—	10,923,048
Deferred tax assets		
Deferred tax losses used to offset deferred tax liabilities	(782,141)	(11,403,109)
	404,000	—

Potential deferred tax assets net of deferred tax liabilities attributable to tax losses have not been brought to account because the Directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable at the date of this report.

Primary net operating losses of approximately $25 million remain available in the US, however are fully reserved.

The benefits of these tax losses will only be obtained if:

(i) The Australian parent entity derives future assessable income of a nature and an amount sufficient to enable the benefit from the deductions for the losses and temporary differences to be realised;

(ii) The Australian parent entity complies with the conditions for deductibility imposed by the tax legislation;

(iii) No changes in tax legislation adversely affect the Australian parent entity in realising the benefit from deductions for the losses and temporary differences; and

(iv) The availability of certain tax losses is subject to the Australian parent entity successfully establishing deductibility with regard to the continuity of ownership test and the same business test.

Note 5: Earnings per share

	2014 US$	Restated (Note 1) 2013 US$
a. Basic Loss per share		—
i. Basic Loss per share	(0.0221)	(0.0025)
ii. Net Loss used to calculate basic loss per share	(11,056,159)	(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.

Note 6: Auditors remuneration

	2014 US$	Restated 2013 US$
Remuneration of the auditors of the consolidated entity for:		
Audit Services – BDO East Coast Partnership		
– Audit of financial report	42,222	—
Audit Services – Hogan Taylor LLP		
– Audit of financial report	59,000	—
Audit Services – Hayes Knight NSW Pty Ltd		
– Audit and review of financial report	84,237	108,867
	185,459	108,867

Note 7: Cash and cash equivalents

	2014 US$	Restated 31 Dec 2013 US$	Restated 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:

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Cash and cash equivalents	14,900,640	16,999,489	12,381,859
	14,900,640	16,999,489	12,381,859

Note 8: Trade and other receivables

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Current			
Trade receivables	2,010,288	1,799,972	960,154
Other receivables	134,016	118,693	110,527
Total trade and other receivables	2,144,304	1,918,665	1,070,681

The following table details the Group's trade and other receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided for thereon. Amounts are considered as 'past due' when the debt has not been settled, with the terms and conditions agreed between the Group and the customer or counterparty to the transaction. Receivables that are past due are assessed for impairment by ascertaining solvency of the debtors and are provided for where there are specific circumstances indicating that the debt may not be fully repaid to the Group.

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross amount US$	Past due and impaired US$	Past due but not impaired (days overdue) < 30 US$	31-60 US$	61-90 $US	> 90 US$	Within initial trade terms US$
2014							
Trade receivables	2,010,288	—	—	—	—	—	2,010,288
Other receivables	134,016	—	—	—	—	—	134,016
Total trade and other receivables	2,144,304	—	—	—	—	—	2,144,304
Restated 31 Dec 2013							
Trade receivables	1,799,972	—	—	—	—	—	1,799,972
Other receivables	118,693	—	—	—	—	—	118,693
Total trade and other receivables	1,918,665	—	—	—	—	—	1,918,665
Restated 1 Jan 2013							
Trade receivables	960,154	—	—	—	—	—	960,154
Other receivables	110,527	—	—	—	—	—	110,527
Total trade and other receivables	1,070,681	—	—	—	—	—	1,070,681

Note 9: Inventories

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Current			
At net realisable value			
Oil and gas stored in tank batteries	355,061	438,996	223,395
Materials and supplies	73,977	6,278	—
	429,038	445,274	223,395

Note 10: Derivatives

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Current			
Derivative financial instruments	3,847,830	—	—
	3,847,830	—	—
Non Current			
Derivative financial instruments	1,700,004	—	—
	1,700,004	—	—
Total Derivatives	5,547,834	—	—

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 (See Borrowings Note 17).

Note 11: Other assets

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Current			
Prepayments	413,733	397	269,421
Less: Accumulated amortisation of borrowing costs	(22,459)	—	—
	391,274	397	269,421
Non Current			
Lease bond deposit	157,131	127,745	107,825
	157,131	127,745	107,825

Note 12: Exploration and evaluation assets

	2014 US$	Restated 31 Dec 2013 US$	Restated 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
Impairment	—	(2,119,621)	(1,882,288)
Transfer to oil and gas assets	(1,373,793)	—	—
Depreciation charge for the year	(226,410)	19,948	333,743
Balance at end of year	—	1,600,203	3,434,252

Note 13: Oil and gas assets

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Oil and gas assets			
At cost	78,082,783	37,307,151	24,137,962
Accumulated depreciation	(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 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

Note 14: Property, plant and equipment

	2014 US$	Restated 31 Dec 2013 US$	Restated 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	1,930,127	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

Note 15: Intangible assets

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Patents			
At cost	—	99,000	99,000
Accumulated amortisation	—	(63,196)	(59,685)
Net carrying value	—	35,804	39,315
Movement in carrying amounts			
Balance at beginning of year	35,804	39,315	35,465
Transfer to plant and equipment	(24,399)	—	—
Amortisation charge for the year	(11,405)	(3,511)	3,850
Balance at end of year	—	35,804	39,315

Patents have finite useful lives. The current amortisation charges for such intangible assets are included under depreciation and amortisation expense as noted in the statement of profit or loss.

Note 16: Trade and other payables

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Current			
Trade payables	1,497,773	1,444,669	883,446
Sundry payables and accrued expenses	591,077	72,559	38,605
	2,088,850	1,517,228	922,051

Note 17: Borrowings

	Note	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Current				
Term loan (secured)	17a	750,000	—	—
Lease liability (secured)	17b	166,937	82,612	—
Convertible note (secured)	17c	—	4,422,497	4,472,080
Less: convertible note issue costs (liability proportion)	17c	—	(209,102)	(244,683)
Promissory notes (secured)	17d	—	—	500,000
Total current		916,937	4,296,007	4,727,397
Non current				
Loan (secured)	17a	11,250,000	—	—
Lease liability (secured)	17b	177,232	152,925	182,511
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 (Houston) which provided for the following:

Immediate Availability	$20 million
Additional Availability at Discretion of Lender:	$40 million
As at 31 December 2014, $12 million was drawn down.	
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.

c. 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 USD$7.5 million in Convertible Notes and 25,257,627 free attaching options. The options are unlisted and have an exercise price of AUD $0.20 and exercisable within three (3) years from the date of issue being 13 June 2015. Interest payable on each Note compounded and accrued annually at 10% per annum. Interest was payable quarterly in arrears commencing on 30 June 2012.

Note 17: Borrowings (continued)

The Notes were payable in full two (2) years from the date the Notes were issued and have now all been extinguished. The Notes were 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 was AUD$0.15. The convertible notes were secured over the oil and gas leases held in Oklahoma and Kansas on a first priority basis with such security now having been released. 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 statement of profit or loss. Any directly attributable transaction costs were allocated to the convertible note liability and convertible note equity reserve in proportion to their initial carrying amounts.

d. 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.

Note 18: Provisions

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Non Current			
Asset Retirement Obligations	276,229	280,000	—
	276,229	280,000	—

Rehabilitation

A provision for rehabilitation is recognised in relation to the exploration and production activities for costs associated with the rehabilitation of the various sites. Estimates of the rehabilitation obligations are based on anticipated technology and legal requirements and future costs. In determining the rehabilitation provision the entity has assumed no significant changes will occur in the relevant Federal and State legislation to rehabilitation in the future.

Movements in provisions

Movements in each class of provision during the current financial year, other than employee benefits, are set out below:

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Carrying amount at beginning of year	280,000	—	—
Amount provided during the year	(3,771)	280,000	—
Carrying amount at end of year	276,229	280,000	—

Note 19: Deferred tax liability

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Non Current			
Deferred Tax Liability	404,000	—	—
	404,000	—	—

The deferred tax liability is ascertained based on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability.

Note 20: Issued capital

	2014 US$	Restated (Note 1) 31 Dec 2013 US$	Restated (Note 1) 1 Jan 2013 US$
558,571,402 (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.

	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 after four (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.

Note 20: Issued capital (continued)

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.

Note 21: Non controlling interest

	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Non controlling interest	271,156	—	—
Carrying amount at end of year	271,156	—	—

On 23 October 2014, the consolidated entity reorganized its U.S. subsidiaries for certain corporate operating efficiencies. A new wholly owned subsidiary, International Energy LLC was formed with a 1% non controlling interest owned by Bacon Family, LLC. Refer to Note 1 for details of the consolidated entities.

Note 22: Reserves

a) *Foreign Currency Translation Reserve*
The foreign currency translation reserve records exchange differences arising on translation of foreign controlled subsidiaries.

b) *Options Reserve*
The Options Reserve records the value of options issued by the Group.

c) *Share Based Payments Reserve*
The Share Based Payments Reserve records the value of shares recognised as expenses on valuation of employee and supplier shares and restricted shares issued.

d) *Convertible Note Equity Reserve*
The Convertible Note Equity Reserve records the equity portion of the convertible notes issued as described in Note 17 Borrowings.

	2014 US$	Restated 31 Dec 2013 US$
Reserves		
Foreign currency translation reserve	(1,277,981)	(213,503)
Options reserve	1,592,580	1,970,970
Share based payments reserve	177,887	—
Convertible note reserve	—	2,938,895
	492,486	4,696,362
Movement in reserves		
Foreign currency translation reserve		
Balance at beginning of year	(213,503)	(1,048,764)
Net difference on translation of foreign controlled entities	(1,064,478)	835,261
Balance at end of year	(1,277,981)	(213,503)
Options reserve		
Balance at beginning of year	1,970,970	746,338
Options expense - operating	1,153,695	185,419
Options exercised	(1,481,533)	—
Options lapsed unexercised	(50,552)	(101,026)
Prior period correction (Note 1d)	—	1,140,239
Balance at end of year	1,592,580	1,970,970

Note 22: Reserves (continued)

Share based payments reserve		
Balance at beginning of year	—	—
Share based payments expense	(203,812)	—
Share based payments issued	381,699	—
Balance at end of year	177,887	—

Convertible note reserve		
Balance at beginning of year	2,938,896	2,938,896
Conversion of convertible note to issued shares	(2,938,896)	—
Balance at end of year	—	2,938,896

Note 23: Parent entity information

	2014 US$	Restated Restated 31 Dec 2013 US$	Restated Restated 1 Jan 2013 US$
Financial information in relation to:			
i. Statement of comprehensive Income			
Loss before income tax	(2,741,461)	(3,186,306)	
Income tax expense	—	—	
Loss after income tax	(2,741,461)	(3,186,306)	
Loss attributable to members of parent entity	(2,741,461)	(3,186,306)	
ii. Accumulated losses			
Accumulated losses at the beginning of the year	(12,064,722)	(7,738,177)	
Loss after income tax	(2,741,461)	(3,186,306)	
Accumulated losses	(14,806,183)	(10,924,483)	
Options exercised	1,481,533	(1,140,239)	
Accumulated losses at the end of the year	(13,324,650)	(12,064,722)	
iii. Statement of financial position			
Current assets			
Cash and cash equivalents	208,078	144,912	1,459,210
Trade and other receivables	19,553	59,280	95,792
Total current assets	227,631	204,192	1,555,002
Non current assets			
Property, plant and equipment	—	3,551	4,119
Loans to controlled entities	—	62,156,937	54,981,480
Investments in controlled entities	68,331,263	3,994,308	4,673,980
Total non current assets	68,331,263	66,154,796	59,659,579
Total assets	68,558,894	66,358,988	61,214,581
Current liabilities			
Trade and other payables	151,720	276,272	118,870
Borrowings	—	4,213,396	4,227,398
Total current liabilities	151,720	4,489,668	4,346,268
Total liabilities	151,720	4,489,668	4,346,268
Net assets	68,407,174	61,869,320	56,868,313
Equity			
Issued capital	90,687,293	71,994,601	54,804,790
Reserves	(8,955,469)	1,939,441	9,801,700
Accumulated losses	(13,324,650)	(12,064,722)	(7,738,177)
Total equity	68,407,174	61,869,320	56,868,313

Note 24: Operating segments

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.

	Total US$	2014 Australia US$	USA US$	Total US$	Restated (Note 1) 2013 Australia US$	Restated USA 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)
Total segment revenue	22,310,638	—	22,310,638	11,239,571		11,239,571
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	(1,179,651)	(1,256,812)	77,161	(235,182)	(172,420)	(62,762)
Total segment expenses	(32,962,797)	(2,741,461)	(30,221,336)	(12,321,028)	(3,186,305)	(9,134,723)
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	(404,000)	—	(404,000)	—	—	—
Net Loss	(11,056,159)	(2,741,461)	(8,314,698)	(1,081,457)	(3,186,305)	2,104,848
Assets And Liabilities						
Assets	74,438,071	227,631	74,210,440	61,263,706	207,743	61,055,963
Liabilities	15,113,248	151,720	15,425,528	6,246,160	4,489,667	1,756,493

These operating segments are based on the internal reports that are reviewed and used by the Board of Directors (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

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

Major customers

The consolidated entity has a number of major customers to whom it sells oil and gas produced from its leases at Snake River in Kay County, Northern Oklahoma and leases surrounding Tulsa. The consolidated entity has ongoing contracts for the sale of oil and gas. The most significant customer, Sunoco Inc., accounted for 74% of external revenue. There are no other significant customers with external revenues greater that 10%.

Note 25: Share-based payments

i) On 31 May 2013, shareholders approved the grant of 10,000,000 share options to key management personnel under the AusTex Oil Limited Employee Option Plan to take up ordinary shares at an exercise price of $0.15 each. The options are exercisable on or before 31 May 2016. The options hold no voting or dividends rights and are not transferable. Options had also been granted in 2011 and 2012 under this plan.

On 29 July 2014, shareholders approved the grant of 18,000,000 share options to key management personnel to take up ordinary shares at an exercise price of $0.175 each. The options have various vesting dates and are all exercisable on or before 29 July 2019. The options hold no voting or dividends rights and are not transferable. Options had also been granted in 2011 and 2012 under this plan.

ii) Options granted to key management personnel are as follows:

Grant date	Expiry date	Exercise price	Number	Date exercisable
31 August 2011	31 August 2014	$0.15	12,500,000	31 August 2011
13 February 2012	11 January 2014	$0.15	2,482,000	13 February 2012
31 May 2013	31 May 2016	$0.15	10,000,000	31 May 2013
29 July 2014	29 July 2019	$0.175	18,000,000	29 July 2014*

* The unlisted options granted to the directors as compensation on 29 July 2014 vest pro rata every 6 months (except the last tranche which will vest 5 months after the previous tranche) provided the director remains involved with the consolidated entity: 29 January, 2015, 29 July 2015, 29 January, 2016, 29 July 2016, 29 January, 2017, 29 July 2017, 29 January, 2018, 29 July 2018, 29 January, 2019 and 29 June 2019. Any options which do no vest will lapse upon that director ceasing to be involved with the consolidated entity. In the event of a takeover or change of control of the consolidated entity all unvested options will vest immediately.

Note 25: Share-based payments (continued)

The options hold no voting or dividend rights and have not been listed.

iii) The company established the AusTex Oil Limited Employee Option Scheme on 3 August 2009 as a long-term incentive scheme to recognise talent and motivate executives to strive for group performance. Employees are granted options which vest over two (2) to five (5) years. The options are issued for no consideration and carry no entitlements to voting rights or dividends of the Group. The number available to be granted is determined by the Board and is based on performance measures including growth in shareholder return, return on equity, cash earnings, and group EPS growth.

Options are forfeited thirty (30) days after the holder ceases to be employed by the Group, unless the Board determines otherwise (this is usually only in the case of retirement, redundancy, death or disablement).

iv) On 29 July 2014, approval was obtained at the Company's AGM to issue 5,000,000 ordinary shares to Mr Richard Adrey, the Co-Managing Director of the Company. The shares were issued pursuant to the terms of the Company's Employee Share Plan with certain vesting criteria which, if not met by Mr Adrey, will be bought back by the Company pursuant to the provisions of the Corporations Act for nominal consideration of $1 for all shares which have not vested at the time of the buyback. If Mr Adrey does not meet the vesting criteria then he will only receive the Shares on a pro rata basis up until the point he ceases to be involved with the Company. In the event of a change of control or a successful completion of a takeover offer for all securities in the Company then all unvested shares shall vest immediately to Mr Adrey absolutely. The shares were issued for $Nil consideration and at a deemed value of $0.2258 per share. The deemed value was based on the 5 day VWAP for the 5 days upon which shares were traded on the ASX immediately prior to the date of approval by shareholders.

v) Preference share dividend termination payment
During the year, 52,269,902 Redeemable Convertible Preference A Shares (RCPA) and 51,189,217 Redeemable Preference B Shares (RPB) were issued as a Dividend Termination Payment at $Nil value, on the terms as approved by shareholders at the Company's EGM held on 24 January 2014.

Note 26: Cash flow information

	2014 US$	Restated (Note1) 2013 US$
a. Reconciliation of cash flow from operations		
With loss after income tax		
Loss after income tax	(11,056,159)	(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	(765,961)	(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	84,325	256,984
Cash flows from operations	10,578,169	3,277,496

Note 27: Key Management Personnel Compensation

	2014 US$	Restated (Note1) 2013 US$
Short-term employee benefits	863,753	812,483
Post-employment benefits	21,662	14,039
Share based payments	509,132	185,496
Non-Executive Directors Fees	224,550	181,607
Balance at the end of year	1,619,097	1,193,625

Note 28: 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:

	Note	2014 US$	Restated 31 Dec 2013 US$	Restated 1 Jan 2013 US$
Financial assets				
Cash and cash equivalents	7	14,900,640	16,999,489	12,381,859
Trade and other receivables	8	2,144,304	1,918,665	1,070,681
Derivatives	10	5,547,834	—	—
Other financial assets				
– Cash for lease bond	11	157,132	127,745	107,825
Total financial assets		22,749,910	19,045,899	13,560,365
Financial liabilities				
Financial liabilities at amortised cost				
– Trade and other payables	16	2,088,850	1,517,228	922,051
– Borrowings	17	12,344,169	4,448,933	4,909,908
Total financial liabilities		14,433,019	5,966,161	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.

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 (such procedures include the utilisation of systems for the approval, granting and renewal of credit limits, regular monitoring of exposures against such limits and monitoring of the financial stability of significant customers and counterparties), 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. Depending on the division within the Group, credit terms are generally 14 to 30 days from the invoice date.

Risk is also minimised through investing surplus funds in financial institutions that maintain a high credit rating, or in entities that the FRMC has otherwise cleared as being financially sound. Where the Group is unable to ascertain a satisfactory credit risk profile in relation to a customer or counterparty, the risk may be further managed through title retention clauses over goods or obtaining security by way of personal or commercial guarantees over assets of sufficient value which can be claimed against in the event of any default.

Credit risk exposures

The Group has no significant concentration of credit risk with any single counterparty or group of counterparties. The subsidiaries have account receivables which are all US customers.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in Note 8.

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 31 December 2014 are trade payables and other financial lease liabilities. All of these liabilities have maturities within 1 year and total USD $3,005,787 at 31 December 2014. The Company had cash and receivables of USD $14,900,640 at 31 December 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.

Note 28: Financial risk management (continued)

Financial liability and financial asset Maturity analysis

	2014			
	Within 1 Year US$	1 to 5 Years US$	Over 5 Years US$	Total US$
Financial liabilities due for payment				
Trade and other payables	2,088,850	—	—	2,088,850
Finance lease liabilities	166,937	177,232	—	344,169
Borrowings	750,000	11,250,000	—	12,000,000
Total contractual and expected outflows	3,005,787	11,427,232	—	14,433,019
Financial assets – cash flows realisable				
Cash and cash equivalents	14,900,640	—	—	14,900,640
Trade and other receivables	2,144,304	—	—	2,144,304
Derivatives	3,847,830	1,700,004	—	5,547,834
Lease bond deposits	—	157,131	—	157,131
Total anticipated inflows	20,892,774	1,857,135	—	22,749,909
Net (outflow)/inflow on financial instruments	17,886,987	(9,570,097)	—	8,316,890

Financial liability and financial asset Maturity analysis

	Restated (Note 1) 31 December 2013			
	Within 1 Year US$	1 to 5 Years US$	Over 5 Years US$	Total US$
Financial liabilities due for payment				
Convertible notes	4,213,396	—	—	4,213,396
Trade and other payables	1,517,228	—	—	1,517,228
Finance lease liabilities	82,612	152,925	—	235,537
Total contractual and expected outflows	5,813,236	152,925	—	5,966,161
Financial assets – cash flows realisable				
Cash and cash equivalents	16,999,489	—	—	16,999,489
Trade and other receivables	1,918,665	—	—	1,918,665
Lease bond deposits	—	127,745	—	127,745
Total anticipated inflows	18,918,154	127,745	—	19,045,899
Net (outflow)/inflow on financial instruments	13,104,918	(25,180)		13,079,738

Financial liability and financial asset Maturity analysis

	Restated (Note 1) 1 January 2013			
	Within 1 Year US$	1 to 5 Years US$	Over 5 Years US$	Total US$
Financial liabilities due for payment				
Bills of exchange and promissory notes	427,292	—	—	427,292
Convertible notes	3,612,666	—	—	3,612,666
Trade and other payables	787,969	—	—	787,969
Finance lease liabilities	54,048	101,924	—	155,972
Total contractual and expected outflows	4,881,975	101,924	—	4,983,899
Financial assets – cash flows realisable				
Cash and cash equivalents	10,581,338	—	—	10,581,338
Trade and other receivables	914,987	—	—	914,987
Lease bond deposits	—	92,146	—	92,146
Total anticipated inflows	11,496,325	92,146	—	11,588,471
Net (outflow)/inflow on financial instruments	6,614,350	(9,778)	—	6,604,572

Note 28: Financial risk management (continued)

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 consolidated entity'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.

December 2014	Net financial assets/(liabilities) not denominated in functional currency
Net total in US Dollars	$75,911
December 2013	**Net financial assets/(liabilities) not denominated in functional currency**
Net total in US Dollars	($72,081)
1 January 2013	**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 or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for oil and gas.

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 gains or losses as at 31 December, 2014 and 31 December 2013 were USD $5,497,967 (gain) and $Nil respectively and are classified as an increase or reduction in net sales for each period. At 31 December 2014 the total barrels of oil hedged was 181,690 and MCF of gas hedged 812,300 and the total weighted average contracted price for oil was USD $85.12 and gas USD $3.77. The table below summarizes timing, amounts and contract pricing for commodity hedges in place at 31 December 2014.

Contract Month	Total BBLs Hedged	Weighted Average Contract Price	Contract Type	Contract Month	Total MCF Hedged	Weighted Average Hedge Price	Contract Type
Jan-15	11,470	84.92	Swap/Put	Jan-15	49,600	3.81	Swap
Feb-15	10,360	84.92	Swap/Put	Feb-15	44,800	3.81	Swap
Mar-15	11,470	84.92	Swap/Put	Mar-15	49,600	3.81	Swap
Apr-15	9,500	91.58	Swap/Put	Apr-15	42,000	3.59	Swap
May-15	9,650	91.58	Swap/Put	May-15	43,400	3.59	Swap
Jun-15	9,500	91.58	Swap/Put	Jun-15	42,000	3.59	Swap
Jul-15	8,410	89.04	Swap/Put	Jul-15	37,200	3.64	Swap
Aug-15	8,410	89.04	Swap/Put	Aug-15	37,200	3.64	Swap
Sep-15	8,300	89.16	Swap/Put	Sep-15	36,000	3.64	Swap
Oct-15	7,480	89.22	Swap/Put	Oct-15	34,100	3.78	Swap
Nov-15	7,400	89.32	Swap/Put	Nov-15	33,000	3.78	Swap
Dec-15	7,480	89.22	Swap/Put	Dec-15	34,100	3.78	Swap
Jan-16	6,820	80.00	Put	Jan-16	31,000	3.98	Swap
Feb-16	6,380	80.00	Put	Feb-16	29,000	3.98	Swap
Mar-16	6,820	80.00	Put	Mar-16	31,000	3.98	Swap
Apr-16	6,000	80.00	Put	Apr-16	27,000	3.76	Swap
May-16	6,200	80.00	Put	May-16	27,900	3.76	Swap
Jun-16	6,000	80.00	Put	Jun-16	27,000	3.76	Swap
Jul-16	5,890	80.00	Put	Jul-16	27,900	3.80	Swap
Aug-16	5,890	80.00	Put	Aug-16	27,900	3.80	Swap
Sep-16	5,700	80.00	Put	Sep-16	27,000	3.80	Swap
Oct-16	5,580	80.00	Put	Oct-16	24,800	3.93	Swap
Nov-16	5,400	80.00	Put	Nov-16	24,000	3.93	Swap
Dec-16	5,580	80.00	Put	Dec-16	24,800	3.93	Swap
Total	181,690	85.12	Swap/Put	TOTAL	812,300	3.77	Swap

Note 28: Financial risk management (continued)

iii) *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 29: Finance lease commitments

	2014 US$	Restated 2013 US$
a. Finance lease commitments		
Payable – minimum lease payments		
– Not later than 12 months	166,937	82,612
– Between 1 and 5 years	177,232	152,925
Minimum lease payments	344,169	235,537
Less future finance charges	—	—
Present value of minimum lease payments	344,169	235,537

Note 30: Operating lease commitments

	2014 US$	Restated 2013 US$
Operating (rental) lease payable		
– not later than 12 months	80,800	94,600
– Between 1 and 5 years	83,133	378,400
	163,933	473,000

Note 31: Contingent liabilities

There are no contingent liabilities other than asset retirement obligations as disclosed in Notes 1(i), 1(j) and 18.

Note 32: Related party transactions

a. Parent entity

The parent entity within the consolidated entity is AusTex Oil Limited.

b. Subsidiaries

Interests in subsidiaries are set out in Note 1.

c. Key management personnel

Disclosures relating to key management personnel are set out in note 28 and the Directors Report. There were no outstanding loans with key management personnel.

d. Transactions with subsidiaries

There were no transactions with subsidiaries at the current and previous reporting date.

e. Loans to subsidiaries

There were no loans to subsidiaries outstanding at the current reporting date. On 1 October 2014, the consolidated entity reorganized its U.S. subsidiaries for certain corporate operating efficiencies and outstanding loans to subsidiaries were reclassified as Investments in Controlled entities.

During the current year and at the previous reporting date, the following loans were owing by the subsidiaries:

	2014 US$	Restated 2013 US$
Balance at beginning of the year	62,156,937	54,981,480
Loans advanced/(received)	2,502,749	7,175,457
Loans reclassified as Investment in Controlled entities	(64,659,686)	—
Balance at beginning of the year	—	62,156,937

The loans to subsidiaries had no fixed terms for the repayment of loans between the parent entity and subsidiaries and carried a nil interest rate.

Note 32: Related party transactions (continued)

f. Transactions with associates

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.

g. Transactions with joint venture

There are no joint ventures of the consolidated entity.

h. Transactions with related parties

The following transactions occurred with related parties:

	2014 US$	Restated 2013 US$
Payment for consulting services	650,000	—
	650,000	—

Ptolemy Capital LLC, a related party of Nick Stone and Michael Stone, received payment during the financial year of USD S650,000. This amount was for services provided in respect of negotiation of the term loan, accounting assistance and preparation of financial statements, assistance with the US corporate reorganisation, transition of accounting services to Wolfepack and chart of accounts, software services (including drill scheduling, well maintenance tracking, production status and tracking, lease expiration tracking, financial model and geolocation tool), investor relations, contract negotiation assistance with pipeline companies and other associated services. These services were provided at less than market rate and were considered and approved by the independent board of directors in the absence of both Nick Stone and Michael Stone. With respect to these transactions the independent Board engaged external counsel to advise it upon its obligations and to ensure the process for determining and approving these transactions were properly managed in accordance with such obligations.

i. Other related part transactions

During the year, 52,269,902 Redeemable Convertible Preference A Shares (RCPA) and 51,189,217 Redeemable Preference B Shares (RPB) were issued as a Dividend Termination Payment at $Nil value to Ptolemy Energy Holdings LLC on the terms as approved by shareholders at the Company's EGM held on 24 January 2014. Ptolemy Energy Holdings LLC is a related party of Nick Stone and Michael Stone.

Note 33: Significant events and transactions for the period

a. Conversion to ordinary shares

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

	2014 US$	Shares issued
Options exercised and converted to ordinary shares	9,933,634	73,388,126
Convertible notes converted to ordinary shares	7,500,000	51,232,235
Total conversion to ordinary shares	17,433,634	124,620,361

b. Preference share dividend termination payment

During the year, 52,269,902 Redeemable Convertible Preference A Shares (RCPA) and 51,189,217 Redeemable Preference B Shares (RPB) were issued as a Dividend Termination Payment at $Nil per share on the terms approved by shareholders at the Company's EGM held on 24 January 2014.

Note 34: Events after the reporting period

On 6 January 2015, the Company received approval for delisting of its ordinary shares from the TSX Venture Exchange at the close of trading on 5 January 2015. The Company has also received approval to cease as a reporting issuer in the jurisdictions of Alberta and British Columbia and no longer has any reporting obligations in Canada.

As announced to the ASX on 2 March 2015, the Company released its independent reserves and economic evaluation ("Reserve Report") as at 31 December 2014 compiled by Pinnacle Energy Services LLC for the consolidated entity's Snake River Prospect only. The Reserve Report estimated Total Proved (1P) oil and gas reserves of 8.7 MMBOE with a net present value discounted at 10% (NPV-10) of USD $86.5 million. Probable (2P) oil and gas reserves were estimated to be 5.5 MMBOE with a net present value discounted at 10% (NPV-10) of USD $32.2 million. The Reserve Report estimates have been used to update the unit of production depletion rates and depletion amounts expensed for the year ended 31 December 2014.

Since the end of the financial year the Directors are not aware of any other matters or circumstances not otherwise dealt with within the financial report that have 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

Directors' Declaration

The directors of the company declare that:

1. the financial statements and notes, as set out on pages 24 to 54 are in accordance with the *Corporations Act 2001* and:
   a. Comply with Accounting Standards and International Financial Reporting Standards as issued by the International Accounting Standards Board as described in Note 1 to the financial statements; and
   b. give a true and fair view of the financial position as at 31 December 2014 and of the performance for the period ended on that date of the consolidated group;
2. The Chief Executive Officer and Chief Finance Officer have each declared that:
   a. the financial records of the company for the financial period have been properly maintained in accordance with s 286 of the *Corporations Act 2001*;
   b. the financial statements and notes for the financial period comply with the Accounting Standards; and
   c. the financial statements and notes for the financial period give a true and fair view;
3. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

On behalf of the Board of Directors.

R Adrey
Co-Managing Director

Dated at Sydney, this 31st day of March 2015

ADDITIONAL SECURITIES EXCHANGE INFORMATION

The following information is provided pursuant to Listing Rule 4.10 and is current as at 13 April 2015:

Substantial Shareholders

Name	Number of Shares
National Nominees Limited	82,553,093
Citicorp Nominees Pty Limited	65,718,656
Kwang Hou Hung	36,960,787

Number of Holders of Each Class of Equity Securities

Class	Number of Holders
Fully Paid Ordinary Shares	2,244
Unquoted Options	(as per table below) 26
Preference Shares (RCPA)	2
Preference Shares (RCPB)	4

Unquoted Options

As at 13 April 2015, there were a total of 83,257,627 unlisted options outstanding. The holders of options do not have any voting rights in their capacity as option holders.

Grant Date	Number	Expiry Date	Exercise price	Number of holders
13 June 2012	25,257,627	13 June 2015	$0.20	9
24 Oct. 2012	20,000,000	24 Oct. 2017	$0.15	9
3 Dec. 2012	10,000,000	3 Dec. 2015	$0.20	1
3 June 2013	10,000,000	3 June 2016	$0.25	2
29 July 2014	18,000,000	29 July 2019	$0.175	5

Voting Rights attaching to each class of equity security

Shareholder voting rights are specified sin clause 11 of the Company's Constitution lodged with the ASX on 8 January 2008. Holders of unquoted options and Preference Shares do not have any voting rights until converted into ordinary shares.

Distribution Schedule Fully Paid Ordinary Shareholders:

Range	Number of Holders
1 – 1,000	160
1,001 – 5,000	277
5,001 – 10,000	348
10,001 – 100,000	1,050
100,001 – and over	409

Number of holders with less than a marketable parcel of securities

There are 328 shareholders with an unmarketable parcel of shares being a holding of equal to or less than 4,167 shares each for a combined total of 554,138 shares. This is based on a closing price of $0.11 per share as at 13 April 2015 and represents 0.0992% of the shares on issue.

Top 20 Shareholders

Name of Shareholder	Number of Shares	%
NATIONAL NOMINEES LIMITED	82,553,093	14.779
CITICORP NOMINEES PTY LIMITED	65,718,656	11.765
KWANG HOU HUNG	36,960,787	6.617
ABN AMRO CLEARING SYDNEY NOMINEES PTY LTD <CUSTODIAN A/C>	24,031,660	4.302
J P MORGAN NOMINEES AUSTRALIA LIMITED	20,189,397	3.614
PHESOJ PTY LTD	14,079,429	2.521
WILLIAM TAYLOR NOMINEES PTY LTD	13,815,454	2.473
HSBC CUSTODY NOMINEES (AUSTRALIA) LIMITED	13,191,444	2.362
BNP PARIBAS NOMS PTY LTD <DRP>	9,840,504	1.762
MR MERVYN WILLIAM CHAKLEY & MRS BEVERLEY JOY CHAKLEY <SYNTAC PTY LTD S/F A/C>	9,684,008	1.734
SEBASTES CAPITAL LLC	9,050,000	1.620
DR LEON EUGENE PRETORIUS	7,607,170	1.362
TERSTAN NOMINEES PTY LTD <MORROWS P/L SUPER FUND A/C>	6,782,477	1.214
KENG CHUEN THAM	6,380,000	1.142
MR RICHARD A ADREY	6,013,565	1.077
MR VICTOR WAN	5,668,857	1.015
MR DAVID GORDON O'REILLY & MS EUGENIE O'REILLY <SUPER FUND A/C>	5,454,000	0.976
CITICORP NOMINEES PTY LIMITED <COLONIAL FIRST STATE INV A/C>	5,318,674	0.952
RONATAC PTY LTD <MASTER CARPETS HLD PL SF A/C>	4,583,333	0.821
REMOVALE PTY LTD	4,300,334	0.770
Total of Top 20 Shareholders	351,222,842	62.431
Total Shares on Issue	562,571,402	100%

Escrowed Securities

There are no securities subject to escrow.

Buy-Back:

There is no current on-market buy-back.

10.0

CORPORATE DIRECTORY

Directors

M R Stone	Non-Executive Chairman	USA
R A Adrey	Co-Managing Director	USA
N J Stone	Co-Managing Director	USA
R H Krause	Non-Executive Director	Australia
J B Clyne	Non-Executive Director	Australia

Company Secretary

J B Clyne

Registered And Principal Office

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Auditors

BDO East Coast Partnership

Share Registry

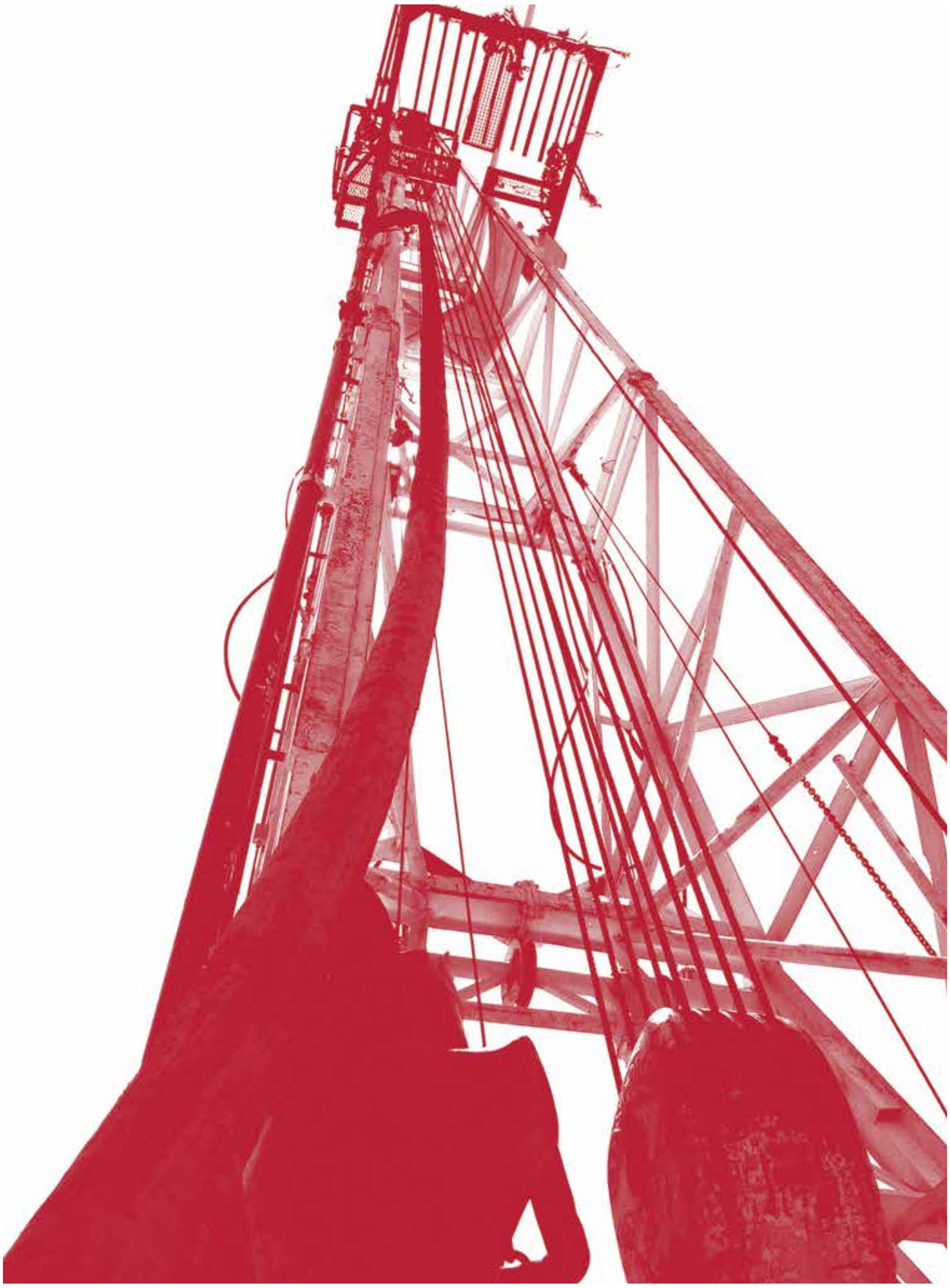
Boardroom Limited, Level 7
207 Kent Street, Sydney NSW 2000

Telephone 02 9290 9600

Principal Bankers

ANZ Banking Group Limited

The Company is listed on the ASX under the code "AOK" and on the OTCQX under the code "ATXDY".



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2014 ANNUAL REPORT

DESIGNED BY DESIGNDAVEY