AUSTEX OIL LIMITED

DECEMBER 2015 QUARTERLY ACTIVITIES REPORT

Highlights:

DECEMBER QUARTER

- **Quarterly Net Revenue - USD $2.6mm.**
- **Quarterly Oil and Gas Production – 78 MBOE.**
- **Quarter Ending Cash Position increased by USD $0.6M to USD $24.6M.**
- **Strong Focus on Growth through Acquisition and Other Opportunities.**
- **Significant Reduction in non-essential field staff improved cash flows and driving a strong balance sheet.**
- **Marginal wells continue to be temporarily shut in: 8 in Oklahoma.**

SUBSEQUENT TO QUARTER END

- **Introduction of First Quarterly Investor Call.**
- **Ongoing Review of Investment and Acquisition Opportunities relative to continued development of Snake River as uses for the USD $24.6 million in cash on the balance sheet.**
- **70 Company Operated wells and 4 non-operated wells producing with an additional 2 wells in pre-production.**

RESERVES VALUATION

- **Reserves report to be released co-incident with end of year financials. See section 7.5 for reserves report guidance.**

ASX: AOK   OTCQX: ATXDY

Level 11, 2 Bligh Street, Sydney NSW 2000 ACN 118 585 649
Telephone: +61 2 9238 2363   Facsimile +61 2 8088 7280   www.austexoil.com

1. AusTex's December 2015 Quarter

The Board of AusTex Oil Limited (**AusTex** or the **Company**) (**ASX: AOK - OTCQX: ATXDY**) is pleased to provide its Quarterly Activities Report for the quarter ending 31 December 2015.

	ASX Announcements During the December Quarter	
1	Quarterly Activities Report	30 October
2	Change of Directors' Interest Notice – Justin Clyne	2 December
3	Change of Directors' Interest Notice – Justin Clyne	2 December
4	Change of Directors' Interest Notice – Justin Clyne	7 December
5	Appendix 3B – Lapse of Options	7 December

Table 1: **Summary of ASX Releases during the December 2015 Quarter (above).**

2. Operations Overview

During the current downturn in the oil sector, the Company is using the opportunity to maintain the dual focus of, firstly, using its strong balance sheet and cash reserves of more than USD$24.6m (up over USD$0.6m on the previous quarter) to pursue acquisition opportunities that meet the Company's stringent criteria and, secondly, continuing to prudently develop and produce at its 100% owned Snake River Project in Kay County, Northern Oklahoma targeting the liquid rich Mississippi Lime formation.

The Company is seeking acquisitions that offer either a strategic fit with its existing asset base or diversification with sufficient scale to provide operational efficiency. While AusTex has undertaken due diligence on a number of opportunities, the continued downturn in the oil price (LTM high of over US$60 per barrel to January low of US$26 per barrel) has meant that price expectations between buyers and sellers have at least temporarily diverged. The upcoming reserve loan redeterminations should provide some additional incentive for distressed companies to consider asset dispositions. The Company will continue to look for assets that will provide a combination of stable returns at the forward curve and a meaningful uplift in value with any upswing in the oil price. While the Board believes it is now well positioned should an appropriate opportunity arise, there is no guarantee the Company will conclude any acquisitions.

With the Company's objective of aiming to grow through acquisition and the development of Snake River in Oklahoma, AusTex only retains a legacy tail of production in Kansas contributing around 1 to 2% to the Company's overall production. Consistent with its strategy outlined over the previous two years, AusTex is no longer pursuing any additional activities in Kansas and is allowing its Cooper, Colby and Ellsworth Leases to expire where the acreage is not presently held by production (refer Table 6 for a summary of the Company's acreage position in Kansas which has decreased significantly in the past two years).

In response to the continued low oil price, the Company has endeavoured to consistently reduce or eliminate unnecessary or inefficient expenses including but not limited to non-essential expenses, underutilized staff and reductions in pricing of necessary services. Field staff has been significantly reduced from approximately 24 personnel down to 10 resulting in significant ongoing savings. As a result of these actions, lease operating expense declined from an average of ~$6.40 per BOE during the first quarter of 2015 to an average of ~$4.20 per BOE in the fourth quarter of 2015.

3. Production and Revenue

Given the ongoing oil price compression, production has once again been constrained in the December quarter so as to preserve oil in the formation for sale in a more favourable pricing environment. The Company intends to continue to roughly match production with the Company's hedging book. During the quarter, 8 wells were shut in as being non-economic at this time. This strategy will continue in the near term with the Company continuing to monitor oil prices. Should the forward curve move up or down significantly from current levels, management will likely adjust the number of wells in active production according to their economic contribution.

The Wyckoff #29-6 was drilled into the Mississippian formation in the south western quadrant of the Snake River field during the September quarter. That well has now completed the first 90 day flow back period and is currently producing approximately 16 BOE/D including 11 BBL/D of oil. The most pleasing aspect of this new well was the reduction in the spud to sales cycle of just 56 days. The two wells which were fracked during the September quarter, the Detten #33-1 and the Detten #33-3 are both now on pump producing 17 BOE/D including 13 BBL/D of oil. The wells are in the early stages of production within the 90 day flow back period.

Subsequent to quarter's end, it was decided to drill two test wells in section 12 in the south eastern quadrant of the Company's Snake River acreage. This is an area which has some old but compelling production. This drilling is being undertaken so the Company can enhance its understanding of the complicated Mississippian geology in the area to enable a higher quality and more consistent drilling program once the oil price rebounds.

The current oil price environment means that a robust program of drilling at this point is not in the best interests of shareholders. Apart from the planned test drilling in section 12, drilling will continue only when selling oil from new wells into the forward curve presents a favourable return. In the meantime, the Company will attempt to use its balance sheet to acquire existing production priced on the basis of the current forward curve and hedge accordingly.

The Board believes that its strategy is appropriately conservative, given the current environment, to ensure the long term creation of shareholder value. As of December 31 there was a further increase in the Company's cash position from the previous quarter by approximately USD$0.6m. Although at the quarter end the company had an additional 3 wells on production, the quarter's production saw a decline on the previous quarter due to wells being temporarily shut in to minimize noneconomic operation and the natural declines associated with reservoir mechanics. Production numbers by month for the entire 2015 year are shown in *Table 2* with the totals for each of the four quarters of 2015 in *Table 3*.

***Table 2*:** **Monthly Production and Cumulative Annual Total for 2015 (below).**

Month	Monthly Production (BOE)	Average Daily Production (BOE)	Change from Previous Month	Cumulative Calendar Year Production ('000BOE)
January	39,300	1,268	-7.6%	39.3
February	32,000	1,143	-9.9%	71.3
March	36,800	1,187	3.9%	108.1
April	31,800	1,060	-10.7%	139.9
May	30,600	1,020	-3.8%	170.5
June	29,200	973	-4.6%	199.7
July	31,600	1,020	4.8%	231.3
August	28,800	928	-9.1%	260.1
September	25,700	856	-7.8%	285.8
October	27,600	889	7.4%	313.4
November	24,500	816	-11.2%	337.9
December	25,700	828	4.9%	363.6

Table 3: **Quarterly Production and Cumulative Annual Total for 2015 (below).**

Quarter Ending	Total Production ('000BOE)	Change from Previous Quarter	Cumulative Calendar Year Production ('000BOE)
31 March	108.1	-14.4%	108.1
30 June	91.6	-15.3%	199.7
30 September	86.1	-6.0%	285.8
31 December	77.8	-9.6%	363.6

A summary of the Company's producing and pre-production wells at Snake River at the end of the December quarter is shown in *Table 4* below.

Table 4: **Wells by stage of production process by quarter across 2015 (below).**

Well Count as of:	31 March 2015	30 June 2015	30 September 2015	31 December 2015
Pumping – Non Operated	4	4	4	4
Pumping – Operated	71	71	66	70
Flowing / Testing	2	2	1	0
Drilled / Fracked	7	7	5	2
Current Shut-In	0	0	9	8
Total Wells	84	84	85	84

Note on Table 4: During Q4-15 three drilled/fracked wells were brought onto production and one shut-in well was converted into an injection well to support future production plans.

Net Revenue from operations for the December quarter was USD $2.6m (net to AusTex after royalties and taxes of USD $0.5m). Capital investments made during the quarter for development were USD $0.2m. Cash and cash equivalents on hand at the end of the quarter was USD $24.6m, an increase of USD$0.6m from the previous quarter.

4. Oklahoma

4.1 Snake River Project, Kay County, Northern Oklahoma – ~11,200 acres
AusTex 100% Working Interest (WI) ~81% Net Revenue Interest (NRI)

The Snake River Project is located in Kay County, Northern Oklahoma, and is the Company's primary development focus. AusTex is the operator of the Snake River Project and will continue 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). 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.

Operations
During the quarter, the Company did not drill any new vertical wells at the Snake River Project but brought three new wells on pump (the Detten 33-1, Detten 33-3 and Big Goose 4-4). The total number of wells at Snake River at the end of the quarter was 84 including 4 non-operated wells, with a further 2 wells under completion and 8 shut-in wells.

5. Other Projects

5.1 Tulsa and Surrounds

During the quarter there was no significant exploration, development or production work on the Company's other acreage in Oklahoma outside of the Snake River Project. These lease areas surrounding Tulsa contributed only a nominal amount to production in the quarter.

5.2 Kansas

In accordance with previous announcements to the market, given the success of the Snake River Project in Northern Oklahoma, following on from previous quarters there was no exploration, development or production work on the Company's acreage in Kansas in the December quarter. The Company continues to review its acreage throughout Kansas as it prioritizes the acceleration of development and production at Snake River and identifying acquisition and other corporate opportunities. The Company's acreage in Kansas contributes only a nominal amount to production of around 1% to 2% of total production.

6. Lease Operating Schedule

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

Lease Name	Net Acreage	**Wi**	**NRI**	**Status**	**County, State**
Snake River	~11,200	100%	~81%	Development Producing	Kay County, OK
Tulsa and surrounds	~600	100%	81%	Producing	Tulsa, OK
Cooper	~500	53%	38%	Producing	Sheridan, KS
Ellsworth	~500	50%	38%	Producing	Ellsworth, KS
Colby	~500	70%	59%	Not Producing	Thomas, KS

***Table 6 (above):* AusTex Oil's Lease Operating Schedule, as at 31 December Quarter 2015. No further development is planned for Cooper, Ellsworth or Colby Counties in Kansas. The majority of those leases will expire where not currently held by production.**

7. Corporate Update

A summary of ASX releases during the December quarter is outlined in *Table 1* (on page 2).

7.1 Lapse of Options:

On 3 December 2015 a total of 10,000,000 options exercisable at $0.20 each lapsed.

7.2 Introduction of Quarterly Investor Call:

AusTex will also be holding its first Quarterly Presentation Call in which shareholders can dial in and hear from management in the US about the Company's current activities. Shareholders will be given the opportunity to submit questions in advance to be covered by management and details of where questions can be sent and the dial in details for the call will be announced early next week. The timings for the call are as follows:

Location	Date	Time
Australia – East Coast	Wednesday 10 February	11.00 a.m. (AEDT)
Australia – West Coast	Wednesday 10 February	8.00 a.m. (AWST)
USA – East Coast	Tuesday 9 February	7.00 p.m. (Eastern Standard Time)
USA – Central	Tuesday 9 February	6.00 p.m. (Central Standard Time)
USA – West Coast	Tuesday 9 February	4.00 p.m. (Pacific Standard Time)

7.3 Corporate Governance Review:

During the quarter the Company undertook a regular review of its corporate governance policies and a new set of policies are now available on the Company's website.

7.4 Significant Hedge Position:

AusTex's current production remains substantially hedged at oil prices well in excess of the current spot market. The Company's current hedge position is as follows:

	Q1-16	Q2-16	Q3-16	Q4-16	Q1-17	Q2-17	Q3-17
Oil Wtd Avg. Floor	\$80.00	\$80.00	\$80.00	\$80.00	\$60.75	\$51.50	\$51.50
% of Current Production	86%	78%	74%	71%	63%	52%	52%
Gas Wtd Avg. Floor	\$3.98	\$3.76	\$3.80	\$3.93			
% of Current Production	61%	55%	55%	49%			

7.5 Reserve Report Guidance:

The Company is in the process of obtaining a Reserve Report which is compliant with Chapter 5 of the ASX Listing Rules and which will be released to the market when received which is expected to be around the same time as the release of the Company's Appendix 4E at the end of February. No report is yet available as the Company is still in the process of data input and consultation with its independent third party reserve engineer.

Consistent with its previous reserve report, AusTex will be reporting its reserves under the NYMEX forward pricing at 31/12/15. The Company strongly believes that the reporting of its reserves needs to be informative to its shareholders, and is choosing to release the information in a fashion that better reflects the current economic situation.

Due to the significant decline in the oil price, the Company expects that there will be a material adverse impact to 1P and 2P reserve numbers, principally related to the valuation of proved undeveloped reserves, and the total Net Present Value (which were reported in the Company's last reserves report released to the market on 31 August 2015). Such expected lower reserves valuation will likely result in a non-cash charge for impairment of oil and gas assets.

8. Events Subsequent to the Quarter

There are no matters to report subsequent to the end of the quarter.

For and on behalf of AusTex Oil Limited

Justin B Clyne

Non-Executive Director & Company Secretary

29 January 2016