



2015 FULL YEAR RESERVE REPORT

AusTex Oil Limited

A.C.N. 118 585 649

ASX: AOK

OTCQX: ATXDY

Corporate Snapshot

Market Cap:	AU\$44.6m @ \$0.057 p/share
Shares on issue	
Ordinary:	562.5m
Preference:	220.1m
Options:	83.2m
Shareholders:	2,046

Directors

Michael Stone
(Non-Executive Chairman)

Richard Adrey
(Co-Managing Director)

Nick Stone
(Co-Managing Director)

Russell Krause
(Non-Executive Director)

Justin Clyne
(Non-Executive Director &
Company Secretary)

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FULL YEAR HIGHLIGHTS

- **1P Reserves of 3,505 mmboe as at 2015 Year End**
- **Net Present Value (NPV10) for 1P Reserves of \$34.8m**

AusTex Oil Limited (ASX:AOK, OTCQX:ATXDY, AusTex or the Company), is pleased to provide shareholders with a summary of its independent full-year reserves estimates. The independent reserves estimates were evaluated and prepared by Pinnacle Energy Services LLC in Oklahoma City in the United States.

The NPV10 for 1P Reserves is US\$34.8m, based on the January 1st, 2016 NYMEX strip pricing and the Company's current hedges. Continuing the theme of the Company's last Reserves Report (released to the market on 2 March 2015), there are a number of contributing factors which have once again caused such a significant shift in the Company's reserves. Some of these factors include:

- Throughout the course of 2015, the continued and rapid decline in oil prices impacting the profitability of all future unhedged sales;
- Oil and natural gas price projections that are even lower than the previous report (refer table 5) which means that for the purposes of assessing reserves the wells reach the end of their economic life earlier;
- Notwithstanding our cost reduction efforts in the field, an increase in LOE as the fixed and partially variable costs of operating are spread over fewer barrels, thereby shortening the reserve life and reducing the apparent economic value per well;
- The fact that only one new well was drilled in 2015 means that there is little new well data that could be used to support a more robust assessment of proved undeveloped reserve locations;
- Proved but Undeveloped reserve locations are evaluated at the January 1st strip pricing without any consideration for the hedges, and;
- No assessment of any 2P reserves due to current oil economics.

At current oil prices, there is only residual economic value in the Sweet Prospect area near Tulsa in Oklahoma of US\$324,000 (refer table 3) and in Kansas of US\$201,000 (refer table 4). The Company's strategy over the past 2 years has been to focus on Snake River and allow its acreage in Kansas to expire where not currently held by production. The purpose of showing the reserves for all 3 areas is to highlight the embedded value in Snake River compared to Kansas and other areas around Tulsa in Oklahoma.

Executive Commentary

Co-Managing Director, Richard Adrey, commented:

"As was the case in the Company's reserves twelve months ago, there has continued to be a number of significant and sustained headwinds to be taken into account by the Reserve Engineer. Not surprisingly, the continued fall in the oil price has once again had a detrimental impact on our Company's reserves.

"Consistent with the reports being seen across the industry, our reserve decline has been driven by a number of factors that we believe are largely temporary. We do not believe prices for oil and gas can last at the depressed levels predicted in our reserve report for years to come. While we cannot predict the timing of a recovery, we do believe the full-cycle cost of a marginal barrel of oil in the US is meaningfully above current spot pricing, which suggests that over time the market should return to balance.

“We remain confident in the embedded value of our assets at Snake River and will continue with our current strategy to operate as an efficient allocator of capital, to limit our production at a time when the marginal sale occurs at pricing that in our view (supported by the forward NYMEX curve) is unattractive relative to the increase in price that would come from selling the same barrel later, and identify the best investment opportunities available to the Company.

“The Company has a strong balance sheet, operates in a low cost formation, suffers from minimal price differentials to WTI given its proximate location to Cushing and is a low cost producer. These are all factors that position AusTex to capitalize on the current unfavourable market conditions for many less well positioned oil and gas producers.”

Net Reserves and Net Present Value

Table 1 demonstrates the Net Reserves (after working interests and royalties are removed but before taxes) and Net Present Value as of December 31, 2015 for the combined prospect areas of the Snake River Project and Sweet Prospect in Oklahoma and the Company’s acreage in Kansas:

Combined Prospect Areas:

Reserve Class	Number of Properties	Net Reserves		Net Reserves	Net Capital	Net Cashflow	NPV Disc @ 10%
		Oil MMBL	Gas MMCF	MBOE (1:6)	M\$	M\$	M\$
Proved Developed Producing (PDP)	62	1,090	6,656	2,199	0	63,156	26,051
Proved Non-producing (PNP)	8	89	63	99	280	3,780	1,653
Proved Undeveloped (PUD)	23	638	3,409	1,206	12,075	24,422	7,108
Total Proved (1P)	93	1,817	10,128	3,505	12,355	91,357	34,812

Table 1: Net Reserves for the combined prospect areas

Snake River Project, Oklahoma:

Reserve Class	Number of Properties	Net Reserves		Net Reserves	Net Capital	Net Cashflow	NPV Disc @ 10%
		Oil MMBL	Gas MMCF	MBOE (1:6)	M\$	M\$	M\$
Proved Developed Producing (PDP)	49	1,034	6,569	2,129	0	62,237	25,527
Proved Non-producing (PNP)	8	89	63	99	280	3,780	1,653
Proved Undeveloped (PUD)	23	638	3,409	1,206	12,075	24,422	7,108
Total Proved (1P)	80	1,761	10,040	3,434	12,355	90,438	34,288

Table 2: Net Reserves for the Snake River Project in Oklahoma

Sweet Prospect, Oklahoma:

Reserve Class	Number of Properties	Net Reserves		Net Reserves	Net Capital	Net Cashflow	NPV Disc @ 10%
		Oil MMBL	Gas MMCF	MBOE (1:6)	M\$	M\$	M\$
Proved Developed Producing (PDP)	7	31	88	46	0	560	324
Proved Non-producing (PNP)	0	0	0	0	0	0	0
Total Proved (1P)	7	31	88	46	0	560	324

Table 3: Net Reserves for the Sweet Prospect in Oklahoma

Kansas:

Reserve Class	Number of Properties	Net Reserves		Net Reserves	Net Capital	Net Cashflow	NPV Disc @ 10%
		Oil MMBL	Gas MMCF	MBOE (1:6)	M\$	M\$	M\$
Proved Developed Producing (PDP)	6	24	0	24	0	359	201
Proved Non-producing (PNP)	0	0	0	0	0	0	0
Total Proved (1P)	6	24	0	24	0	359	201

Table 4: Net Reserves for the Company's acreage in Kansas

Pricing

As stated above, the NYMEX strip pricing as of January 1, 2016 (adjusted for hedges) was used for this evaluation. The NYMEX strip pricing weighted for the Company's hedge position is outlined below in Table 5:

Year	Oil	Gas
January 2016	\$71.97	\$3.29
February 2016	\$73.55	\$3.33
March 2016	\$75.02	\$3.36
April 2016	\$73.19	\$3.19
May 2016	\$74.45	\$3.21
June 2016	\$75.67	\$3.24
July 2016	\$74.98	\$3.29
August 2016	\$76.00	\$3.31
September 2016	\$76.98	\$3.42
October 2016	\$75.99	\$3.34
November 2016	\$76.87	\$3.36
December 2016	\$77.74	\$3.38
January 2017	\$58.75	\$2.79
February 2017	\$60.41	\$2.79
March 2017	\$59.29	\$2.79
April 2017	\$50.19	\$2.79
May 2017	\$50.14	\$2.79
June 2017	\$50.36	\$2.79

July 2017	\$50.30	\$2.79
August 2017	\$50.38	\$2.79
September 2017	\$50.60	\$2.79
October 2017	\$46.06	\$2.79
November 2017	\$46.06	\$2.79
December 2017	\$46.06	\$2.79
2018	\$49.36	\$2.91
2019	\$51.96	\$3.03
2020	\$53.64	\$3.18
2021	\$54.66	\$3.31
2022	\$55.43	\$3.46
2023	\$55.82	\$3.61
2024	\$56.16	\$3.74
2025	\$56.16	\$3.88
2026	\$56.16	\$4.01
2027	\$56.16	\$4.15
2028+	\$56.16	\$4.31

Table 5: NYMEX strip pricing forecast (adjusted for hedges)

Based on an evaluation of actual oil prices received by the Company from January 2015 to December 2015, differentials to NYMEX prices were applied to each lease.

The calculated oil price differential for Snake River was \$(1.76) per barrel and the calculated gas price differential was +16.10% per mcf given the natural gas liquids associated with the sale of our dry gas. The Kansas Prospect area oil differential was \$(6.20) per barrel and the Sweet Prospect area oil differential was \$(4.60) per barrel and -8.4% per mcf for gas. For all Proven Undeveloped locations the differential used was \$(1.76) per barrel and +16.10% per mcf.

Taxes

Oklahoma severance tax rate used for existing production wells is 7.095% for both oil and gas. All new wells drilled in Oklahoma have a severance tax of 2% for 36 months which increases to 7.095% thereafter. Kansas severance taxes used are 4.33% for both oil and gas. Any ad valorem tax is assumed to be included in lease operating expenses.

Expenses

Fixed operating expenses of \$453/well/month and variable expenses of \$6.64/Bbl oil produced are being used for Snake River. For the Sweet Prospect area, fixed operating expenses being used are \$164/well/month with variable expenses of \$22.69/Bbl oil produced. In the Kansas Prospect area, fixed operating expenses are \$172/well/month and variable expenses are \$21.81/Bbl oil produced. Capital expenditures used for future wells is \$525,000 per well which includes costs for drilling the required saltwater disposal wells.

Future Development Timeline

Future wells were assumed to be drilled one well per month starting in June 2017. All Proven Undeveloped locations will be drilled by April 2019.

Methodology and Assumptions

Information used in the report was provided by AusTex Oil Limited's US based subsidiary entities and supplemented by data gathered from public sources. The evaluation was performed using SEC reserve standards and the NYMEX strip pricing as of 1 January, 2016 with hedges, and includes 62 PDP properties, 8 PNP properties and 23 PUD locations.

Reserve Certification

The information contained within this announcement 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.

Notes:

1. **MBOE means million barrels of oil equivalent**
2. **Bbl means Barrel**
3. **Mcf means thousand cubic feet**

ENDS

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About AusTex

AusTex Oil Ltd is an Exploration and Production company that is focused on the development of oil and gas leases in the USA. The company produces oil and gas in Oklahoma and Kansas. AOK holds interests in oil and gas leases, including acreage in the highly prospective Mississippi Lime Play in Northern Oklahoma and Kansas. The Company's flagship 100%-owned Snake River Project in the Mississippi Lime Play delivering annual production in 2015 of 363,600 BOE.