



2016 HALF YEAR RESERVE REPORT

AusTex Oil Limited

A.C.N. 118 585 649

ASX: AOK

OTCQX: ATXDY

Corporate Snapshot

Market Cap:	AU\$40.7m @ \$0.052 p/share
Shares on issue	
Ordinary:	562.5m
Preference:	220.1m
Options:	38m
Shareholders:	1,982

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)

Contact

Level 9, 2 Bligh Street,
Sydney NSW 2000 AUSTRALIA
Tel +61 2 9238 2363
Fax +61 2 8088 7280

www.austexoil.com
<https://twitter.com/AusTexAOK>

HALF YEAR HIGHLIGHTS

- **1P Reserves of 3.8 mmbbl as at 1 July, 2016**
- **Net Present Value (NPV10) for 1P Reserves of US\$29.2m**

AusTex Oil Limited (ASX: AOK, OTCQX: ATXDY, AusTex or the Company), is pleased to provide shareholders with a summary of its independent half-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\$29.281m, based on the July 1st, 2016 NYMEX strip pricing. These reserves are consistent with the Reserves Reports since at least early 2015, with a number of contributing factors which have again caused the Company's reserves to moderately decline since those reported on March 1st of this year. Some of these factors are merely notional factors and not indicative of the geology of the Company's acreage but a result of low oil prices. These include:

- A sustained low oil price environment which impacts the profitability of all future unhedged sales;
- Lower oil and natural gas price projections which means that, for the purposes of assessing reserves, wells are notionally taken to reach the end of their economic life earlier than in a higher priced environment;
- Notwithstanding the Company's significant reduction in non-essential field staff and other cost reduction efforts in the field, there is a deemed increase in Lease Operating Expenses (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 since the last Reserve Report in March means there is limited new well data that could be used to support a more robust assessment of proved undeveloped reserve locations;
- Moreover, the natural decline of our existing wells is intentionally being allowed without an effort to replace that with new drilling in order to conserve our oil in place, and as a result, the natural declines in our producing reserves should be expected;
- Proved but Undeveloped reserve locations are evaluated at the July 1st strip pricing without any consideration for the Company's strong hedge position, and
- There has once again been 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\$48,000 (refer table 3) and in Kansas of US\$326,000 (refer table 4). The Company's strategy over the past two and a half 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 which are not the Company's operational or strategic focus.

Executive Commentary

Co-Managing Director, Richard Adrey, commented:

"As the Company has witnessed over the past 18 months, there remain a number of significant and sustained headwinds which have not abated in recent times and need to be considered in the assessment undertaken by the independent Reserve Engineer. It is of no surprise that, while

the oil price environment over the past 6 months has not been as harsh as the 12 months' prior, the continued decline in oil and gas prices has had a moderately detrimental impact on our Company's reserves.

"Many of these factors are macro in nature, not reflective of the Company's geology and, we believe, 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 and to rely on our strong balance sheet for value accretive opportunities when they arise. We are confident that these factors will continue to position AusTex well in circumstances that are currently unfavourable 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 July 1, 2016 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)	61	1,156	8,199	2,523	0	59,977	22,074
Proved Non-producing (PNP)	9	58	56	67	245	1,159	732
Proved Undeveloped (PUD)	23	638	3,287	1,186	10,925	20,620	6,474
Total Proved (1P)	93	1,852	11,542	3,776	11,170	81,756	29,281

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	1,109	8,159	2,469	0	59,032	21,700
Proved Non-producing (PNP)	8	58	56	67	245	1,159	732
Proved Undeveloped (PUD)	23	638	3,287	1,186	10,925	20,620	6,474
Total Proved (1P)	80	1,805	11,502	3,722	11,170	80,811	28,907

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)	6	5	40	12	0	71	48
Proved Non-producing (PNP)	0	0	0	0	0	0	0
Total Proved (1P)	6	5	40	12	0	71	48

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	42	0	42	0	874	326
Proved Non-producing (PNP)	0	0	0	0	0	0	0
Total Proved (1P)	6	42	0	42	0	874	326

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

Pricing

As stated above, the NYMEX strip pricing as of July 1, 2016 was used for this evaluation. The pricing forecast used is as follows:

Year	Oil	Gas
2016	\$49.60	\$2.99
2017	\$52.13	\$3.16
2018	\$53.69	\$3.01
2019	\$54.60	\$2.96
2020	\$55.43	\$3.00
2021	\$56.22	\$3.19
2022	\$57.30	\$3.34
2023	\$58.11	\$3.53
2024	\$58.56	\$3.70
2025	\$58.56	\$3.88
2026	\$58.56	\$4.05
2027	\$58.56	\$4.22
2028+	\$58.56	\$4.39

Table 5: NYMEX strip pricing forecast

Based on an evaluation of actual oil prices received by the Company from January 2016 to June 2016, differentials to NYMEX prices were applied to each lease. The calculated oil price differential was \$(2.43) per barrel and the calculated gas price differential was -14% per mcf. These differentials were used for all Proven Undeveloped locations.

Taxes

Oklahoma severance tax rate used for existing producing 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 \$594/well/month and variable expenses of \$7.67/Bbl oil produced are being used for Snake River. For the Sweet Prospect area, fixed operating expenses being used are \$313/well/month with variable expenses of \$32.87/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 \$475,000 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 July, 2016 and includes 61 PDP properties, 9 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

For further information please contact:

Richard Adrey /Nick Stone
Co-Managing Directors
USA + 1 918-743-7300

Justin Clyne
Non-Executive Director & Company Secretary
AUS + 61 407 123 143

<https://twitter.com/AusTexAOK>

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.