



Raising up to \$US17.5m to fast track Snake River Development

- ✚ Preference share issue to sophisticated US investors
- ✚ Largest AOK shareholder takes at least 75% of offer
- ✚ Acceleration of drilling program
- ✚ Funding will repay Convertible Notes at maturity

AusTex Oil Limited (ASX:AOK, TSX-V: ATO, OTCQX:ATXDY), has entered into an agreement to issue up to \$US17.5million (\$AUD18.7m) of Redeemable Preference Shares in the Company. The Company shall issue up to 116.6 million preference shares. The shares are being issued in two tranches with the first tranche comprising at least 43.3 million Redeemable Convertible Preference Shares and the Second Tranche comprising up to 73.3 million Redeemable Preference Shares. Each Preference Share has a subscription price of \$US0.15 (\$AUD0.16).

The Preference Share issue was strongly supported by Ptolemy Energy Holdings LLC, an affiliate of Freestyle Investors, of California. Ptolemy is currently the largest shareholder in AOK, owning 9.2% of the fully paid ordinary shares on issue.

AusTex Executive Chairman Richard Adrey commented: "The Company has historically been able to sustainably fund steady growth with a commensurably moderate level of drilling. Ptolemy's conviction in and financial support of our opportunity and our team will result in a faster-paced growth program that should deliver improved financial and production performance. AusTex welcomes Ptolemy and its group into this investment, and what we believe it should ultimately deliver to our company. Furthermore, it is my belief that all of the Company's stakeholders will embrace this transaction as a significant step forward in recognising AusTex's unlocked value. The Company will continue to add to its leaseholds to maintain pace with the new drilling program."

Use of Funds

The funding will be used to:

- accelerate the pace of development at the Company's Snake River Mississippi Project in Northern Oklahoma;
- meet general working capital requirements; and
- meet Convertible Note obligations when due and payable.

AusTex, along with the subscribers of the Preference Shares, have agreed to fully reserve 100% of the funds necessary to retire the Convertible Notes currently on issue upon their maturity in June 2014. The ability to reserve such funds alleviates any potential concern about the Company being able to retire the Convertible Notes.

Freestyle Investors Partner Nick Stone said: "We are excited to support AusTex in the expansion of its Snake River development, to alleviate the pressure of its near term debt maturity, and to accelerate the Company's drilling program. We look forward to a very productive relationship with the AusTex team and are enthusiastic about the prospects for the Company and its shareholders."

AusTex Oil Limited

A.C.N. 118 585 649

ASX: AOK
OTCQX: ATXDY
TSX-V: ATO

Level 7, 207 Kent Street,
Sydney NSW 2000
Telephone +61 2 9238 2363
Fax +61 2 8088 7280

Contact

Daniel Lanskey
Managing Director
dan.lanskey@AusTexoil.com

Website

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

Directors

Richard Adrey
(Executive Chairman)

Russell Krause
(Non-Executive Director)

Daniel Lanskey
(Managing Director)

Kay Philip
(Non-executive Director)

Luis Vierma
(Non-executive Director)

Company Secretary
Tom Bloomfield +61 2 9290 9617

About AusTex

AusTex Oil Ltd (ASX: AOK) 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 ~26,000 net acres of oil and gas leases, including acreage in the highly prospective Mississippi Lime play in Northern Oklahoma and Kansas.

Funding Process

As part of the close of the issue of the first tranche, Ptolemy has already purchased \$US10.9 million of Preference Shares and will buy at least \$US13.1 million in total. The existing holders of the Convertible Notes have been offered their right to participate in up to 25% of each tranche of the Preference Share issue. Within 14 days, the Company expects to know the number of existing holders of Convertible Notes that will elect to participate and consequently the total number of Preference Shares to be issued.

Description of Securities

The Company has issued two types of Preference Shares:

(a) The Redeemable Convertible Preference Shares carry a right to receive dividends on each Redeemable Convertible Preference Share, in priority to any other shares, at 11.75% per annum accruing and calculated daily. Each Redeemable Convertible Preference Share is convertible into one ordinary share (at \$US0.15).

(b) The Redeemable Preference Shares initially carry a right to receive dividends on each Redeemable Preference Share, in priority to any other shares, at 11.75% per annum accruing and calculated daily. The Redeemable Preference Shares are not currently convertible into ordinary shares. Shareholders of AusTex will be asked to authorize the ability of holders to convert the Redeemable Preference Shares into ordinary shares (at \$US0.15) at a General Meeting of shareholders in due course. If shareholders of the Company do not vote to authorize the conversion of those Redeemable Preference Shares into ordinary shares, the dividend rate would retroactively increase to 16.0%.

Dividends on the Preference Shares are payable either in cash or additional Preference Shares. The holders will have rights to redeem the Preference Shares in certain circumstances and the Company holds a call option to redeem the Preference Shares that may be exercised 48 months from the date of issue (assuming shareholders vote to authorize their conversion). The subscribers will have the right to appoint 3 people to an expanded board of 7 directors whilst the Preference Shares remain outstanding.

Upcoming General Meeting

A General Meeting of Shareholders of AOK is proposed to be held as soon as practicable after the offer is completed to, amongst other things, authorize the ability to convert the Redeemable Preference Shares into ordinary shares (at \$US0.15) and the possibility of any subscriber reaching an ordinary shareholding of greater than 20% following conversion of Preference Shares. Further details of the transaction and the proposed timetable regarding the proposed General Meeting will be announced when the transaction has completed.

Additional Disclosure

In the course of conducting due diligence, an additional reserve report was prepared at Ptolemy's request. While the change in the aggregate discounted cash flow from Proved and Probable reserves was immaterial, the report did reflect the expected shift of value from probable to proved reserves that would naturally occur as more locations are drilled and completed.

For further information please contact:

Daniel Lanskey,
Managing Director
Australia +61 408 885018

Richard Adrey
Executive Chairman
USA +1 918-743-7300

Released through Ben Jarvis, Six Degrees Investor Relations: +61 413 150 448

<https://twitter.com/AusTexAOK>