

4 Directors' Report and Remuneration Report

Your Directors present their Report on the consolidated accounts of AusTex Oil Limited and the entities it controlled for the year ended 31 March 2009.

DIRECTORS

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

Dr Peter Power **Non-executive Chairman**

Dr Peter Power has over 40 years experience in hydrocarbon exploration worldwide in senior management positions with major international companies. He was previously Managing Director of Ampolex Limited prior to its acquisition by Mobil.

Dr Power was the founding Head of Geology at the Western Australian Institute of Technology (now Curtin University). He was a member of the Bureau of Mineral Resources Review in 1984 and the Australian Geological Survey Organisation Review in 1993, a member of the Advisory Council for the National Centre for Petroleum Geology and Geophysics from 1985 - 90. He has served as President of the Australian Geoscience Council and as a councillor and chairman of the Australian Petroleum Production and Exploration Association, which has awarded him both the Lewis G. Weeks and Reg Sprigg Gold medals and honorary life membership. He has been a consultant since 1997 and is currently non-executive chairman of Elk Petroleum and Metgasco Limited. He is also a non-executive director of Petsec Energy Limited.

Richard Adrey - USA **Executive Director**

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, Telechips, Medisys, Versatech, VacationBreak, Fairfield Communities and Greystone Medical.

Mr. Adrey holds a B.S. in finance, has completed continuing education and held Officer and Board seats in several companies as an advisor.

Boris Ganke **Non-Executive Director – resigned 18 March 2009**

Daniel Lanskey **Managing Director**

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.

He currently is a director of a number of unlisted public and private companies. Mr. Lanskey holds a post-graduate Business Degree. Mr. Lanskey is a director of International Energy Corporation and is associated with AusTex Oil on a day to day basis overseeing operations in Australia.

Travis G Miller – USA
Executive Director – resigned 23 March 2009

Patricia Kay Philip
Non-Executive Director

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.

She is an Honorary Associate at the School of Physics, University of Sydney, and has been a director of a number of listed and unlisted companies in the financial and oil and gas sectors.

Ms Philip is a Director of Proto Resources and Investments Ltd (since 2006) and was a 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. Ms Philip is a Senior Fellow of the Financial Services Institute of Australia ("FINSIA"), Member of the Australian Institute of Physics ("AIP"), Member Australian Society of Exploration Geophysicists (M.ASEG.), and Secretary of the Australian-French Association for Science and Technology "AFAS").

Trevor Sykes
Non-Executive Director

Trevor Sykes was one of Australia's leading finance journalists until his retirement at the end of 2005. He has been Editor of The Bulletin, Editor-in-Chief of Australian Business magazine, assistant editor of the Australian Financial Review and Melbourne Bureau Chief of the Australian Financial Review.

He is currently a Director of Mitchell Corporation, the largest trucking company in WA, specialising in logistics services for the resource industry and was a director of Copper Range Ltd from 2006 to 2007. He is a member of the SA Mining & Petroleum Expert Group which promotes resource development in that state. He is also Patron of the Sydney Mining Club.

Peter Hetheron
Company Secretary

Peter Hetheron was appointed company secretary of the Company on 1 March 2006. He is the Company Secretary of listed companies Chapmans Limited and Longreach Oil Limited and a Director of Longreach Oil Limited and Chapmans Limited.

Justin B Clyne
Company Secretary

Justin Clyne was appointed as joint company secretary of the Company on 27 April 2009. 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.

KEY MANAGEMENT PERSONNEL DISCLOSURES**Details of Key Management Personnel****Director**

D. Lanskey	Managing Director
T. Miller	Executive Director (resigned in March 2009)
R. Adrey	Executive Director

Remuneration Report

The Board 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.

This Remuneration Report outlines the arrangements which were in place during the year ended March 31, 2009 for the Directors and key management personnel.

Year ended 31 March 2009	Directors Fees \$	Base Salary /fee \$	Equity Options \$	Total \$
P. Power	40,000		-	40,000
D. Lanskey		216,000	-	216,000
T. Miller *		350,000	-	350,000
R. Adrey		177,100	-	177,100
B. Ganke	45,000		-	45,000
K. Philip	30,000		-	30,000
T. Sykes	30,000		-	30,000
Total	145,000	743,100	-	888,100

* Includes termination payment.

EXECUTIVE DIRECTORS

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

A. Managing Director – Daniel Lanskey

Under an agreement dated 26 June 2007 between AusTex Oil and Etranz.com Pty Ltd, Daniel Lanskey was appointed as an executive director of AusTex Oil. In addition, Etranz.com Pty Ltd and Daniel Lanskey will assist in promoting, advancing and improving the business of AusTex Oil.

Etranz.com Pty Ltd was initially paid USD\$120,000 per annum (exclusive of GST) (payable in Australian dollars at an exchange rate of US\$0.84 to AUD\$1.00), with a provision for annual review for provision of these services. In June 2008, base fee was increased to AUD \$216,000 per annum.

Daniel Lanskey will also be granted options to purchase Shares in AusTex Oil as an incentive to provide ongoing service and commitment to AusTex Oil.

Daniel Lanskey will not be under any restraint, after the termination of his employment by the Company, from being employed or otherwise engaged by any other company, but has agreed, along

with Etranz.com Pty Ltd, that any confidential information gained for the duration of the agreement will remain confidential.

The agreement is for a period of three years, but may be terminated earlier by AusTex Oil if Etranz.com Pty Ltd or Daniel Lanskey:

- (a) goes into liquidation or makes a composition/ arrangement with creditors;
- (b) is convicted of any major criminal offence;
- (c) commits any serious or persistent breach of any of the provisions in the agreement and the breach is not remedied within a specified time;
- (d) is absent in, or demonstrates incompetence or negligence with regard to the performance of duties;
- (e) is guilty of grave misconduct or wilful neglect in discharge of duties; or
- (f) is of unsound mind.

Etranz.com Pty Ltd may also terminate the agreement by giving three months written notice.

B. Executive Director – Richard Adrey – Vice President – International Energy Corporation

Under an agreement dated 1 July 2007 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. The term of the agreement is until 31 July 2010, 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 IEC, and to promote the interests of IEC and any group company. He is required to report directly to the IEC board.

Richard Adrey will be paid US\$140,000 per annum for provision of his services, to be reviewed annually, and 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 will also be granted options in IEC or the Company as an incentive to provide ongoing services and commitment to IEC. 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.

C. Executive Director – Travis G Miller

Resigned 23 March 2009

D. 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 \$380,000 per annum. This remuneration may be divided amongst the Non-Executive Directors in such fashion as the Board may decide.

Aggregate remuneration, presently, is \$100,000 per annum.

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 his 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.

E. Agreement to provide Company Secretarial and Financial Services - Longreach Oil Limited

Under an agreement dated 26 June 2007, Longreach Oil Ltd will provide AusTex Oil, for a period of three years, company secretarial services and general accounting and administration services in Australia. These services will include preparation and lodgement of all relevant ASIC and ASX information, financial statements, and reception and administrative duties. Longreach Oil Ltd will be paid USD\$120,000 per annum (exclusive of GST) in consideration of the provision of these services. The agreement may be terminated by AusTex Oil with six months notice.

In April 2009, AOK gave notice to Longreach Oil Limited that this agreement would be terminated on 30 September 2009.

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	
	Direct	Indirect
Dr Peter Power	Nil	2,115,657
Richard Adrey	3,750,000	7,008,473
Daniel Lanskey	Nil	3,719,275
Patricia Kay Philip	250,000	659,574
Trevor Sykes	Nil	1,389,361

Notes

Richard Adrey holds 7,008,473 shares indirectly as a director and shareholder of Public Energy Corporation.

Daniel Lanskey holds 1,800,000 shares as the sole director of Etranz.com Pty Ltd and 320,000 Shares as a trustee of the Lanskey Family Trust and 1,599,275 shares indirectly as a director and shareholder of Public Energy Corporation.

Peter Power holds 500,000 shares as a director and shareholder of Phesoj Pty Ltd and 1,615,657 shares indirectly as a shareholder in Public Energy Corporation..

Trevor Sykes holds 400,000 shares as a director and shareholder of Juniper Investments Pty Ltd which holds the Shares as trustee of The Sykes Family Super Fund and 989,361 shares indirectly as a shareholder in Public Energy Corporation.

Patricia Kay Philip holds 659,574 shares indirectly as a shareholder in Public Energy Corporation.

SHARE OPTIONS

Directors do not hold any options over the company's securities.

Options on issue at the date of this report are:-

No. of Options	Expiry Date	Exercise Price
750,000	8 January 2010	40 cents

LOSS PER SHARE

The basic loss per share for AusTex Oil Limited for the year was 4.05 cents per share.

RESULTS OF OPERATIONS AND DIVIDENDS

The Group's net loss after taxation attributable to the members of AusTex Oil Limited for the year to 31 March 2009 was \$5,131,461. The Directors of AusTex Oil have resolved not to recommend a dividend for the year ended 31 March 2009.

CORPORATE STRUCTURE

AusTex Oil Limited is a company limited by shares, which is incorporated and domiciled in Australia. AusTex Oil has prepared a consolidated financial report incorporating the subsidiaries that it controlled during the financial year, being wholly owned International Energy Corporation (Oklahoma), a company incorporated in Oklahoma, United States of America and International Energy Corporation (Kansas) a company incorporated in Kansas, United States of America. Well Enhancement Services (Oklahoma) is a wholly owned subsidiary of International Energy Corporation (Oklahoma).

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 Kansas and Oklahoma USA.

EMPLOYEES

The Group employed ten permanent employees as at 31 March 2009.

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 in each state are held through two wholly owned subsidiary companies, International Energy Corporation (Oklahoma) and International Energy Corporation (Kansas). In Oklahoma, Well Enhancement Services LLC (Oklahoma), which is wholly owned by International Energy Corporation (Oklahoma), operates a Radial Jet Enhancement Technology rig, which is based in Tulsa.

USA operations are all managed from an office located at 1801 East 71st Street, Tulsa. Well Enhancement Services LLC (Oklahoma) operates from a rig barn and holding yard on the outskirts of Tulsa.

The gross proven and probable oil reserves in the lease interest held by AOK have been independently certified as at March 31, 2009 at 7.4 million barrels of oil equivalent.

For the 12 months ended 31 March 2009, the net revenue from combined operations was \$629,723 resulting in a gross profit of \$235,611. A Net Loss of \$5,131,461 was recorded after write downs associated with relinquished leases.

Oklahoma Operations

International Energy Corporation (Oklahoma) (IEC-OK) holds as 100% working interest and ~80% Net Revenue interest in six oil and gas leases located near Tulsa. In September 2008, IEC-OK became the registered operator of five of these leases.

During the year, the Company participated in the drilling of three new wells on the Lancaster Lease group, Tulsa County, two new wells on the Sweet Unit, Pawnee County, and one new well on the BlueHawk Project in Osage County.

An additional 370 acres of lease area was added to the Lancaster Lease group during the year. A gas sales contract was negotiated with Scissortail Energy LLC and a sales line was connected from the Lancaster Lease group in March 2009.

Kansas Operations

In Kansas, oil and gas interests are held by International Energy Corporation (Kansas) (IEC-KS) in a joint working interest arrangement with Castle Resources LLC, which is the operator of the leases. Castle Resources manages the operation of a Radial Jet Enhancement Technology rig in Kansas. IEC-KS holds an interest in four projects in Kansas. During the year, the Cooper Project area in Sheridan County was increased to 32,500 acres and a 3D seismic program was completed across the area.

The company participated in the drilling of two wells on the Pearl Cress Lease in Ellis County, five new wells on the Cooper Project in Sheridan County, and one new well on the McCracken Project in Ness County. As a result the Cooper #1 Well and the Pearl Cress #A2 wells were completed for production. In addition, IEC-KS participated in the acquisition and completion of one new producing well on the Beltz Project in Ness County.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There was no significant change in the state of affairs of the consolidated entry.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

There have been no significant events after the balance date.

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 Groups' 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 DIRECTORS AND OFFICES

AusTex Oil paid insurance premiums in respect of Directors' and Officers' Liability Insurance contracts. The liabilities insured are damages and legal costs that may be incurred in defending civil or criminal proceedings that may be brought against officers in their capacity as officers of entities in the Group. The total amount of insurance premiums paid has not been disclosed due to confidentiality reasons.

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 regular Board discussions, ten 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
P Power	10	10
R Adrey	10	10
B Ganke	9	8
D Lanskey	10	10
K Philip	10	10
T Miller	9	2
T Sykes	10	9

AUDIT COMMITTEE

During the financial year, three meetings of the audit committee were held, attended by the members comprising T Sykes (Chairman), B Ganke and Dr P Power. Ms K Philip was appointed on 26 February 2009.

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 full-year 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.

D Lanskey
Managing Director

Sydney
29 June 2009