



Half Yearly Report September 2010

AusTex Oil Limited

ACN 118 585 649

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1. Directors Report

Your directors submit the financial report of the consolidated entity for the half-year ended 30 September 2010.

1.1. Directors

The names of directors who held office during or since the end of the half-year and until the date of this report are as below.

Dr Peter Power	Non Executive Chairman
Mr Richard A Adrey	Executive Director
Mr Daniel Lanskey	Managing Director
Ms Patricia Kay Philip	Non Executive Director
Mr Trevor Sykes	Non Executive Director

1.2. Principal Activities

During the half-year the principal activities of the consolidated entity consisted of the operations of oil and gas leases in Oklahoma and Kansas in the United States of America.

2. Review of Operations

Gross Sales of oil and gas from leases held by the company rose to \$2.1 million. Revenue attributable to AusTex Oil Limited (AOK) from operations was \$1,666,912, up from \$320,000 for the corresponding period in 2009, representing a five-fold increase for the period.

Exploration and project development expenditure was \$2,339,801. Additional acreage was acquired in Oklahoma and Kansas with an investment of \$1,251,634.

At 30 September 2010, the consolidated cash position was \$3,341,518 and debt of \$759,604 following the purchase of new leases.

2.1. Oklahoma Operations

AOK owns a number of oil and gas leases in Oklahoma through its wholly owned subsidiary International Energy Corporation (Oklahoma) (IEC-OK). During the 6 months ended 30 September, field operations were focused on the Lancaster Lease in Tulsa County.

A new subsidiary, International Energy Corporation (Northern Oklahoma) was established during the September quarter and holds oil and gas leases associated with the East Tonkawa Project.

2.1.1. Lancaster Lease Group – Tulsa County – 890 acres

AOK – 100% Working Interest (WI); ~ 81.25% Net Revenue Interest (NRI)

Development drilling on the lease group continued with 5 production wells and 2 injection wells. The Baggett #33-3, Baggett #33-4, Hollie #2 and Mayo Moore # 6 were drilled on the eastern side of the lease, successfully targeting the Pennsylvanian Sands.

During September, the Lancaster #8 well was drilled on a surface high on the north section of the lease and intersected 100 feet of Simpson Series at 2,400 feet and hydrocarbons in an interval at 2,550 feet. These Simpson Series formations have not been present on the eastern side of the lease group. The well has been completed for production in the Arbuckle Formation with a 3 foot interval perforated, acidized and brought on naturally for longer sustainability.

One additional injection well, the Mayo Moore #8, was also drilled during the half year as part of the ongoing reservoir management program on the Red Fork formation.

2.1.2. East Tonkawa Project – Kay County – 907 acres

AOK 100% Working Interest – 81.25% Net Revenue Interest

On September 30, the Company announced the acquisition of 907 acres in Kay County, 90 miles west of Tulsa. Since this time the acreage position has been increased to ~2,000 acres. This project presents multiple development and recompletion opportunities and is located in an area which is currently undergoing aggressive development from a number of major oil companies.

Historical production from the lease has been from the Pennsylvanian Formations, with vertical wells; however in the area horizontal drilling is taking place in the Layton and Tonkawa Sands and the Mississippi Limestone formation with reported flow rates of five to seven times those of the verticals.

A number of existing wells are currently undergoing re-completions with a development drilling program planned to commence during 2011.

2.2. Kansas Operations

AOK holds interests in Oil and Gas Leases located in the State of Kansas through a wholly owned Kansas subsidiary, International Energy Corporation (Kansas). IEC Kansas now holds interests in four projects located in Ness, Sheridan, and Ellis counties.

The company's partner, Castle Resources Inc., a private oil and gas operator based near Hays, Kansas is the operator. Castle Resources also operates the Radial Jet Enhancement Technology in the States of Kansas and Nebraska under an agreement with Well Enhancement Services, Texas.

2.2.1. Cooper Project – Sheridan County – 26,500 acres

AOK –50% WI; 42.25% NRI

Following on from the success of the Clark #1 in January 2010, two wells were drilled on the acreage during the half year. The Clark #3 and Clark #5 both encountered hydrocarbons in the target Toronto and Lansing Kansas-City Formations; however, neither tested commercial quantities of oil. The Clark #3 well was plugged and abandoned and the Clark #5 completion was suspended pending further review of the reservoir structure.

3. Non-renounceable Right Issue

During the June Quarter a total of \$5,421,600 was raised by way of a non-renounceable rights issue. An additional 33,884,998 shares were issued at a price of 16 cents per share. 16,942,510 options exercisable at 25 cents with an expiry date of 1 December 2011 were issued with one option issued for each two new shares purchased in the rights issue. The options are listed under the ASX code AOKO.

4. Lease Interest Schedule

At the time of this report, the Company held interests in the following oil and gas leases operational:

LEASE NAME	ACREAGE	WI	NRI	COUNTY
Lancaster Group	890	100%	~81.25%	Tulsa, OK
Sweet	400	100%	84.0%	Pawnee, OK
Crisler	80	100%	84.375%	Creek, OK
Gypsy-Walker Project	80	100%	81.25%	Creek, OK
BlueHawk Project	160	50%	42.5%	Osage, OK
Cleveland Project	160	100%	82.5%	Creek, OK
Jewel Project	37,000	35%	28.8%	Jewel and Mitchell, KS
Cooper Project	26,500	53%	46%	Sheridan, KS
McCracken Project	3,200	50%	42.25%	Ness, KS
Beltz Project	160	40%	33.8%	Ness, KS
Tonkowa Unit	~2,000	100%	~81.25%	Kay, OK

5. Auditors Independence

The auditor's independence declaration has been provided by Mr Neil Colquhoun. A copy of this declaration is attached to and forms part of, the Half-Year Financial Report for the six months ended 30 September 2010.

Signed in accordance with a resolution of the Board of Directors.

Daniel Lanskey
Managing Director
10 December 2010

6. Auditors Independence Declaration

AUDITOR'S INDEPENDENCE DECLARATION

To the Directors of AusTex Oil Limited

As auditor for the audit review of AusTex Oil Limited for the half-year ended 30 September 2010, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit review.

COLQUHOUNS
Chartered Accountants

.....
Neil Colquhoun
Principal

10 December 2010
Sydney

7. Half Yearly Accounts

**AusTex Oil Limited
And Controlled Entities**

30 September 2010

**AUSTEX OIL LIMITED AND CONTROLLED ENTITIES
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX (6) MONTHS ENDED 30 SEPTEMBER 2010**

	Note	30 September 2010 \$	30 September 2009 \$
Sales Revenue		1,666,912	370,854
Cost of Sales		(780,211)	(205,266)
Gross profit/(loss)		886,702	165,588
Interest Income		81,499	89,522
Other Income		17,511	41,137
Other Expenses		(1,891,755)	(1,628,400)
Loss before income tax		(906,043)	(1,332,153)
Income tax expense		-	-
Loss for the year		<u>(906,043)</u>	<u>(1,332,153)</u>
Basic earnings/(loss) per share	4	(\$0.0046)	(\$0.0103)
Diluted earnings/(loss) per share	4	N/A	N/A

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX (6) MONTHS ENDED 30 SEPTEMBER 2010**

	Note	30 September 2010 \$	30 September 2009 \$
Loss for the year		\$ (906,043)	\$ (1,332,153)
Other comprehensive income/(loss)			
Net increase/(decrease)			
in Fair Value Reserve		-	162,000
Exchange differences on translation		(3,907,375)	(3,891,266)
of foreign operations			
Income tax relating to components			
of other comprehensive income		-	-
Other comprehensive income/(loss),		(3,907,375)	(3,729,266)
net of income tax			
Total Comprehensive		(3,907,375)	(3,729,266)
Loss for the year		<u>\$ (4,813,418)</u>	<u>\$ (5,061,419)</u>

The Consolidated Statement of Comprehensive Income should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2010

	Note	30 September 2010 \$	31 March 2010 \$
CURRENT ASSETS			
Cash and cash equivalents		3,341,518	2,015,416
Trade and other receivables		359,832	589,338
Inventories		79,968	60,728
Available for sale financial assets		-	40,000
TOTAL CURRENT ASSETS		<u>3,781,319</u>	<u>2,705,482</u>
NON CURRENT ASSETS			
Exploration and evaluation assets		3,703,434	3,445,685
Oil and gas assets	2	10,609,240	11,484,457
Intangible assets		45,516	60,050
Property, plant & equipment		1,438,617	975,728
Other financial assets		267,817	268,528
TOTAL NON CURRENT ASSETS		<u>16,064,624</u>	<u>16,234,448</u>
TOTAL ASSETS		<u>19,845,943</u>	<u>18,939,930</u>
CURRENT LIABILITIES			
Trade and other payables		408,792	428,888
TOTAL CURRENT LIABILITIES		408,792	428,888
NON CURRENT LIABILITIES			
Borrowings		759,604	-
TOTAL NON CURRENT LIABILITIES		<u>759,604</u>	<u>-</u>
TOTAL LIABILITIES		<u>1,168,396</u>	<u>428,888</u>
NET ASSETS		<u>18,677,547</u>	<u>18,511,042</u>
EQUITY			
Issued Share capital	3	36,952,029	31,972,106
Reserves		(6,531,153)	(2,623,778)
Accumulated losses		(11,743,329)	(10,837,286)
TOTAL EQUITY		<u>18,677,547</u>	<u>18,511,042</u>

The Consolidated Statement of Financial Position should be read in conjunction with the accompanying Notes.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX (6) MONTHS ENDED 30 SEPTEMBER 2010

CONSOLIDATED	ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY			
	Share Capital	Other Reserves	Accumulated Losses	Total Equity
	\$	\$	\$	\$
Balance as at 1 April 2009	27,667,551	1,597,884	(7,432,998)	21,832,437
Issues of share capital	4,050,500	-	-	4,050,500
Share issue cost	(103,676)	-	-	(103,676)
Total comprehensive income/(loss)	<u>-</u>	<u>(3,729,266)</u>	<u>(1,332,153)</u>	<u>(5,061,419)</u>
Balance as at 30 September 2009	<u>31,614,375</u>	<u>(2,131,382)</u>	<u>(8,765,151)</u>	<u>20,717,842</u>
Balance as at 1 April 2010	31,972,106	(2,623,778)	(10,837,286)	18,511,042
Issues of share capital	5,421,600	-	-	5,421,600
Share issue cost	(441,676)	-	-	(441,676)
Total comprehensive income/(loss)	<u>-</u>	<u>(3,907,375)</u>	<u>(906,043)</u>	<u>(4,813,418)</u>
Balance as at 30 September 2010	<u>36,952,029</u>	<u>(6,531,153)</u>	<u>(11,743,329)</u>	<u>18,677,547</u>

The Consolidated Statement of Changes in Equity should be read in conjunction with the accompanying Notes.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2010**

	30 September 2010 \$	30 September 2009 \$
Cash flows from(used in) operating activities		
Cash receipts from sales	1,442,190	305,425
Interest received	81,499	108,196
Interest paid	(1,191)	-
Cash paid to suppliers and employees	<u>(1,768,190)</u>	<u>(1,365,908)</u>
Net cash flows (used in) Operating Activities	<u>(245,691)</u>	<u>(952,287)</u>
Cash flows from/(used in) investing activities		
Payments for property plant & equipment	(613,413)	(94,261)
Payments for acquisitions of prospects	(1,251,634)	(31,782)
Payments for exploration, evaluation and development expenditures	<u>(2,339,801)</u>	<u>(2,321,225)</u>
Net cash flows from/(used in) investing activities	<u>(4,204,848)</u>	<u>(2,447,268)</u>
Cash flows from financing activities		
Proceeds from issue of shares	5,421,600	4,050,500
Proceeds from exercise of options	-	-
Payments for costs of share issues	(441,676)	(103,675)
Proceeds from borrowings	<u>823,216</u>	<u>-</u>
Net cash flows from financing activities	<u>5,803,139</u>	<u>3,946,825</u>
Net increase (decrease) in cash held Cash and cash equivalents at the beginning of the period	1,352,600 2,026,866	547,270 5,260,198
Effect of exchange rate changes	<u>(37,948)</u>	<u>(61,642)</u>
Cash at the end of the period	<u>3,341,518</u>	<u>5,745,826</u>

The Consolidated Statement of Cash Flows should be read in conjunction with the accompanying Notes.

AUSTEX OIL LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010**

NOTE 1: Basis of Preparation

The financial report is a general purpose financial report which has been prepared in accordance with AASB 134, Interim Financial Reporting, Australian Equivalents to International Financial Reporting Standards (AIFRS), other authoritative pronouncements of the Australian Accounting Standards Board, (including Australian Accounting Interpretations) and the Corporations Act 2001. The half year financial statements have been prepared using the same accounting policies and methods of computation as used in the annual reporting period.

The interim report does not include full disclosures of the type normally included in an annual financial report. It should be read in conjunction with the Annual Financial Report for the year ended 31 March 2010 and any public announcement made during the half year under the continuous disclosure obligations.

These consolidated financial statements are prepared on the basis of historical cost convention, except for available for sale financial assets that have been measured at fair value.

1.2 Statement of compliance

The financial report, comprising the financial statements and accompanying notes, complies with International Financial Reporting Standards (IFRS).

1.3 Consolidation

The Consolidated Financial Report includes the consolidation of AusTex Oil Limited, International Energy Corporation Ltd and its subsidiary Well Enhancements Services LLC Oklahoma and International Energy Corporation Ltd (Kansas) as at 30 September 2010.

NOTE 2: OIL AND GAS ASSETS	Consolidated 30 September 2010 \$	Consolidated 31 March 2010 \$
Assets in Development		
Balance at the beginning of the year	11,484,457	11,457,559
Additions	2,630,561	3,145,320
Effects of movements in foreign exchange	(3,391,566)	(3,001,011)
Leases relinquished	-	-
Accumulated amortisation	(114,212)	(117,411)
	10,609,240	11,484,457
	10,609,240	11,484,457

AUSTEX OIL LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010**

NOTE 3: SHARE CAPITAL	Consolidated 30 September 2010 \$	Consolidated 31 March 2010 \$
Issued Capital		
203,309,998 (31 March 2010 – 169,425,000) Ordinary fully paid shares	36,952,029	31,972,106

During the half year, 33,884,998 fully paid ordinary shares in the company were issued at sixteen (16) cents in accordance with the Rights Issue announced to the market on 24 March 2010.

NOTE 4: EARNINGS PER SHARE

(a) Basic earnings/(loss) per share	(\$0.004642)	(\$0.0103)
Net loss used to calculate earnings	(\$906,043)	(\$1,332,153)
Number of weighted average ordinary shares used for calculating earnings/(loss) per share	195,162,785	128,790,164
(b) Diluted (loss) per share		

The company's potential ordinary shares being its options granted are not considered dilutive as the conversion of these options would result in a decrease in the net loss per share.

**NOTE 5: SIGNIFICANT EVENTS SUBSEQUENT
TO THE REPORTING PERIOD**

There were no significant events subsequent to the reporting period other than as disclosed elsewhere in the Financial Report.

AUSTEX OIL LIMITED AND CONTROLLED ENTITIES

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE HALF YEAR ENDED 30 SEPTEMBER 2010**

NOTE 6: SEGMENT INFORMATION

The group operates predominantly in one business segment, being the exploration, development and production of hydrocarbons in the USA. The group's revenues and results according to geographical segments are shown below.

Revenue	30 September 2010			30 September 2009		
	Total \$	Australia \$	USA \$	Total \$	Australia \$	USA \$
Sales Revenue	1,666,912	-	1,666,912	370,854	-	370,854
Interest Revenue	81,499	81,496	3	89,522	76,718	12,804
Other Revenue	17,511	10,000	7,511	41,137	-	41,137
Total Revenue	1,765,922	91,496	1,674,426	501,513	76,718	424,795
Results						
Net loss	(906,043)	(458,792)	(447,251)	(1,332,153)	(631,481)	(700,672)

AUSTEX OIL LIMITED AND CONTROLLED ENTITIES

**DIRECTORS' DECLARATION
FOR THE HALF-YEAR ENDED 30 SEPTEMBER 2010**

In the opinion of the Directors of AusTex Oil Limited (the Company):

1. The financial statements and notes thereto, as set out on pages 7 to 15 are in accordance with the Corporations Act 2001 including:
 - a. giving a true and fair view of the consolidated entity's financial position as at 30 September 2010 and of its performance, as represented by the results of its operations and its cash flows, for the half-year ended on that date; and
 - b. complying with Accounting Standards and Corporations Regulations 2001; and
2. There are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.
3. The financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

This declaration has been made after receiving the declarations required to be made to the Directors in accordance with Section 295A of the Corporations Act 2001 for the half-year ended 30 September 2010.

This declaration is made in accordance with a resolution of the Board of Directors.

D Lanskey
Managing Director

Sydney
10 December 2010

8 Independent Auditor's Review Report

To the members of AusTex Oil Limited

Report on the Half-Year Financial Report

I have reviewed the accompanying half-year financial report of Austex Oil Limited and Controlled Entities (the consolidated entity). The half-year financial report includes the financial statements of the consolidated entity, comprising Austex Oil Limited and the entities it controlled at the end of the half-year or from time to time during the half-year. The financial statements include a consolidated balance sheet as at 30 September 2010, and the consolidated income statement, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, other selected explanatory notes and the Directors' declaration.

Directors' Responsibility for the Half-Year Financial Report

The Directors' of the consolidated entity are responsible for the preparation and fair presentation of the half-year financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the half-year financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express a conclusion on the half-year financial report based on my review. I conducted my review in accordance with Auditing Standard on Review Engagements ASRE 2410 Review of an Interim Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, I have become aware of any matter that makes me believe that the financial report is not in accordance with the Corporations Act 2001 including a true and fair view of the consolidated entity's financial position as at 30 September 2010 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the Auditor of Austex Oil Limited, ASRE 2410 requires that I comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for the financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable me to obtain assurance that I would become aware of all significant matters that might be identified in an audit. Accordingly, I do not express an audit opinion.

Independence

In conducting my review, I have complied with the independence requirements of the Corporations Act 2001. The Director's Report attached to the financial statements includes a copy of the Independence Declaration dated 10 December 2010 given to the Directors by the Auditor for the audit.

Conclusion

Based on my review, which is not an audit, I have not become aware of any matter that makes me believe that the half-year financial report of Austex Oil Limited and Controlled Entities is not in accordance with the Corporations Act 2001 including:

- (a) Giving a true and fair view of the consolidated entity's financial position as at 30 September 2010 and of its performance for the half-year ended on that date.
- (b) Complying with Accounting Standard AASB 134 Interim Financial Reporting, and Corporations Regulations 2001.

COLQUHOUNS

Chartered Accountants

Neil Colquhoun
Principal
Sydney
10 December 2010