

1. Company details

Name of entity:	AusTex Oil Limited
ABN:	42 118 585 649
Reporting period:	For the half-year ended 30 June 2015
Previous period:	For the half-year ended 30 June 2014

2. Results for announcement to the market

			US\$
Revenues from ordinary activities	down	45.3% to	7,286,677
Loss from ordinary activities after tax attributable to the owners of AusTex Oil Limited	down	236.4% to	(3,124,176)
Loss for the half-year attributable to the owners of AusTex Oil Limited	down	238.4% to	(3,165,377)

Dividends

There were no dividends paid, recommended or declared during the current financial period.

Comments

The loss for the group after providing for income tax and non-controlling interest amounted to US\$3,124,176 (30 June 2014: profit of US\$2,289,781).

3. Net tangible assets

	Reporting period Cents	Previous period Cents
Net tangible assets per ordinary security	<u>10.10</u>	<u>10.62</u>

4. Control gained over entities

There were no entities over which control has been gained or lost during the period.

5. Dividends

Current period

There were no dividends paid, recommended or declared during the current financial period.

Previous period

There were no dividends paid, recommended or declared during the previous financial period.

6. Dividend reinvestment plans

Not applicable.

7. Foreign entities

Details of origin of accounting standards used in compiling the report:

The consolidated financial report includes the consolidation of AusTex Oil Limited's subsidiaries located in the US: AusTex Oil Holdings LLC, and its subsidiaries IEC Holdings LLC and its subsidiaries International Energy Corporation (Oklahoma) and its subsidiary Well Enhancements Services LLC, International Energy LLC and International Energy Company LLC.

8. Audit qualification or review

Details of audit/review dispute or qualification (if any):

The financial statements were subject to a review by the auditors and the review report is attached as part of the Interim Financial Report.

9. Attachments

Details of attachments (if any):

The Interim Financial Report of AusTex Oil Limited for the half-year ended 30 June 2015 is attached.

10. Signed

A handwritten signature in blue ink, appearing to read "Richard Aldrey".

Signed _____

Date: 31 August 2015

AusTex Oil Limited

ABN 42 118 585 649

Interim Financial Report - 30 June 2015

(The information in this Interim Financial Report should be read in conjunction with the Company's most recent Annual Report lodged with ASX on 27 April 2015)

Directors	Michael R Stone - Non-Executive Chairman, USA Richard A Adrey - Co-Managing Director, USA Nicholas J Stone - Co-Managing Director, USA Russell H Krause - Non-Executive Director, Australia Justin B Clyne - Non-Executive Director, Australia
Company secretary	Justin B Clyne
Registered office	Level 11, 2 Bligh Street Sydney NSW 2000 Telephone: +61 2 9238 2363 Fax: +61 2 8088 7280 Email: info@austexoil.com
Share register	Boardroom Limited Level 12, 225 George Street Sydney NSW 2000 Telephone: +61 2 9290 9600
Auditor	BDO East Coast Partnership Level 11, 1 Margaret Street Sydney NSW 2000
Solicitors	Gilbert + Tobin Level 31, 2 Park Street Sydney NSW 2000 Telephone: +61 2 9263 4000 Fax: +61 2 9263 4111
Bankers	ANZ Banking Group Limited Martin Place Sydney NSW 2000
Stock exchange listing	AusTex Oil Limited shares are listed on the Australian Securities Exchange (ASX code: AOK) and on the OTCQX International (OTCQX code: ATXDY)
Website	www.austexoil.com

OPERATIONAL HIGHLIGHTS

- SOLID 6 MONTHS PRODUCTION NOTWITHSTANDING NO NEW WELLS DRILLED
- GROSS BOE PRODUCED UP marginally vs 1H 2014
- DAILY PRODUCTION OF 973 BOE AT JUNE 30, 2015 DOWN 20% vs 2014
- 75 WELLS PRODUCING AS AT 30 JUNE 2015 UP 58% VS 30 JUNE 2014
- 2,500 ADDITIONAL NET ACRES IN THE SNAKE RIVER AREA IN 1H 2015 VS 30 JUNE 2014
- AUSTEX CONTINUES TO BE CASH FLOW POSITIVE EVEN AT CURRENT OIL PRICES AND PRODUCTION LEVELS
- STRONG BALANCE SHEET WITH USD\$24M CASH ON HAND AT 30 JUNE 2015

ALL RESULTS AND FINANCIAL STATEMENTS ARE PRESENTED IN \$USD

SUMMARY COMPARISON OF RESULTS

	<u>1H 2015</u>	<u>1H 2014</u>
Gross Oil & Gas Production (BOE)	199,751	199,210
June Average Monthly Rate (BOE/D)	973	1,227
Wells in Production	75	44
Net Acres (Core Kay County Area)	11,200	8,700
1P (Proved) Reserves (BOE)	8,522m	18,937m
1P (Proved) Reserves (PV10, \$USD)	\$77.1m	\$338.4m
Net Revenue (\$USD)	\$5,684,348	\$9,926,939
EBITDAX (\$USD)	\$976,662	\$5,810,200
Earnings per Share (\$USD)	\$(0.0056)	\$0.0051
	<u>30-Jun-15</u>	<u>30-Jun-14</u>
Cash Balance (\$USD)	\$23,533,701	\$10,712,138
Total Debt (\$USD)	\$20,268,541	\$254,913
Oil & Gas Assets (\$USD)	\$48,146,910	\$49,457,311

Review of Operations and Financial Results

The principal activities of the consolidated entity consisting of AusTex Oil Limited (herein referred to as the “Company” or “AusTex”) and the entities it controlled (the “Group”) consisted of production and development of oil and gas leases in Oklahoma and Kansas in the United States of America.

Consistent with the presentation currency used for the prior comparative 6 month period to 30 June 2014 and since that time, the financial information is presented in US dollars.

Operating Results

The operating result of the Group decreased to a loss of USD \$(3,139,992) (2014: Profit of USD \$2,289,781) principally due to decrease in revenue and notwithstanding an increase in depletion amortization charge.

Revenue & Production Growth

Gross Revenue from oil and gas sales from leases held by the Group for the 6 months ended 30 June 2015 was USD \$7,286,677 compared to USD \$13,318,013 for the 6 months ending 30 June 2014. Production from the leases held by the company for the 6 months ended 30 June 2015 was 199,751 BOE which was comprised of 99.0 MBBLs of Oil and 604.1 MMCF of Gas compared to 199,210 BOE (109.7 MBBLs of Oil and 537.0 MMCF of Gas) for the 6 months ended 30 June 2014.

Exploration & Development

Oklahoma

AusTex operates leases in Oklahoma through its subsidiaries as follows:

Consolidated Entities	Place of incorporation	<u>% Owned</u>
AusTex Oil Limited (Parent of)	Australia	
AusTex Oil Holdings LLC (Parent of)	Oklahoma, USA	100
IEC Holdings LLC (Parent of)	Oklahoma, USA	100
International Energy Corporation (Oklahoma) (Parent of)	Oklahoma, USA	100
Well Enhancement Services of Oklahoma LLC	Oklahoma, USA	100
International Energy LLC	Oklahoma, USA	99
International Energy Company LLC	Oklahoma, USA	100

During the 6 months ended 30 June 2015, exploration and development was focused on the Snake River Project in Kay County, Oklahoma. AusTex, as Operator, did not drill and complete any new vertical production wells on the project during the 6 months ended 30 June 2015. At the end of June 2015, 75 wells were in production (including 4 non-operated wells) with 9 wells under completion.

In response to the rapid decline in the oil price over the course of 2015, the Group’s drilling hiatus continued until the end of the period with no new wells drilled. During the latter part of the half year, the Company reviewed its strategy of curtailing its production which it began in the middle of December 2014. The rapid increase in field pressures successfully retained oil in the formation and AusTex was able to pull back production over the past 6 months, effectively using the formation as “free storage” in order to capitalize on the positive slope in the forward oil curve.

In late June a decision was made to release the casing pressure constraints and the early indications are that production is beginning to favourably rebound. The Group continues to monitor the oil price, and while it continues to slowly release pressure on its wells, should the forward curve start to steepen from current levels AusTex will revisit the decision to release pressure from the formation.

The Snake River Project remains the core development focus area of the company.



Figure 1: (Shown Above) AusTex's Snake River Project, Kay County, Northern Oklahoma

Month	Monthly Production ('000BOE)	Average Daily Production (BOE)	Change from Previous Month	Cumulative Calendar Year Production ('000BOE)
January	39,313	1,268	-7.6%	39.3
February	31,999	1,143	-9.9%	71.3
March	36,794	1,187	3.9%	108.1
April	31,829	1,060	-10.7%	139.9
May	30,616	1,020	-3.8%	170.5
June	29,200	973	-4.6%	199.7

Table 1: Monthly Production and Cumulative Annual Total to 30 June 2015.

Well Count as of:	30 June 2015
Pumping – Non Operated	4
Pumping – Operated	71
Flowing / Testing	2
Drilled and Fraced only	2
Drilled only	5
Total Wells	84

Table 2: Wells by Stage of Production as at 30 June 2015

During the half year there was no significant exploration, development or production work on the Company's other acreage in Oklahoma outside of the Snake River Project. These lease areas surrounding Tulsa contribute only a nominal amount to production as at the end of the half year period.

Kansas

AusTex, through its subsidiary, is the major working interest partner with Castle Resources Inc., as operator and holds non-operating interests in oil and gas leases located in the State of Kansas. During the 6 months ended 30 June 2015, no new exploratory wells were drilled in Kansas. A review of the log and seismic data has been undertaken and a decision has been made to not pursue further exploratory drilling on the Kansas acreage at this time. The Group continues to review its acreage throughout Kansas as it prioritizes the acceleration of development and production at Snake River. After having discontinued most of its operations in Kansas over the course of the 2014 calendar year, the Group still benefits from a legacy tail of production which contributes approximately 14 BOE/day to production as at 30 June 2015.

Lease Summary

Pursuant to Listing Rule 5.4.3, a schedule of the Company's leases and interests therein as at 30 June 2015 is provided as follows (gross acreage shown).

Lease Name	Net Acreage	Wi	NRI	Status	County, State
Snake River	~11,200	100%	~81%	Development Producing	Kay County, OK
Tulsa and surrounds	~600	100%	81%	Producing	Tulsa, OK
Cooper	~3,500	53%	38%	Producing	Sheridan, KS
Ellsworth	~1,100	50%	38%	Producing	Ellsworth, KS
Colby	~6,900	70%	59%	Not Producing	Thomas, KS

Table 3: AusTex Oil's Lease Operating Schedule as at 30 June, 2015.

Oil & Gas Reserves

The Group's petroleum reserves at 31 December 2014 as determined by the independent reserves and economic evaluation ("Reserve Report") prepared by Pinnacle Energy, LLC (Pinnacle) for the Snake River Project in Kay County, Oklahoma was released to the market on 2 March 2015. Highlights of the Reserve Report included 1P Reserves of 8.7 mboe and 2P Reserves of 5.5 mboe. Subsequent to the end of the half year on 31 August 2015, the Company released to the ASX an updated Reserve Report prepared by Pinnacle in relation to the Snake River Project only which is demonstrated in Table 4 below.

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\$	
Proved	Developed	Producing (PDP)	62	975	6,086	1,989	0	57,839	27,290
Proved Non-producing (PNP)			4	98	594	197	760	4,736	2,485
Proved Undeveloped (PUD)			124	3,276	18,364	6337	71,300	131,108	47,396
Total Proved (1P)			190	4,348	25,044	8,523	72,060	193,683	77,171
Probable Reserves			129	2,735	16,606	5,503	74,175	98,675	30,894
Total Non-Proved			129	2,735	16,606	5,503	74,175	98,675	30,894
Grand Total (2P)			319	7,084	41,650	14,026	146,235	291,357	108,064

Table 4: Net Reserves and Net Present Value of the Company's Snake River Project as at 1 July, 2015 (including a moderate amount of \$120k of NPV10 for the Sweet Lease in Oklahoma and acreage in Kansas).

The directors present their report, together with the financial statements, of the consolidated entity (referred to hereafter as the 'Group') consisting of AusTex Oil Limited (referred to hereafter as the 'Company' or 'Parent Entity') and the entities it controlled at the end of, or during, the half-year ended 30 June 2015.

Directors

The following persons were directors of AusTex Oil Limited during the whole of the financial half-year and up to the date of this report, unless otherwise stated:

Michael Stone
Richard Adrey
Nicholas Stone
Russell Krause
Justin Clyne

Principal activities

The principal activities of the Group consisted of production and development of oil and gas leases in Oklahoma and Kansas in the United States of America.

Review of operations

The loss for the group after providing for income tax and non-controlling interest amounted to US\$3,124,176 (30 June 2014: profit of US\$2,289,781).

The directors' report includes the operational highlights, the summary comparison of results and the review of operations report as presented above.

Significant changes in the state of affairs

There were no significant changes in the state of affairs of the group during the financial half-year.

Auditor's independence declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on the following page.

This report is made in accordance with a resolution of directors, pursuant to section 306(3)(a) of the *Corporations Act* 2001.

On behalf of the directors

A handwritten signature in blue ink, appearing to read "Richard Adrey".

R Adrey
Co-Managing Director

31 August 2015
Sydney

DECLARATION OF INDEPENDENCE BY GARETH FEW TO THE DIRECTORS OF AUSTEX OIL LIMITED

As lead auditor for the review of AusTex Oil Limited for the half-year ended 30 June 2015, I declare that, to the best of my knowledge and belief, there have been:

1. No contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
2. No contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of AusTex Oil Limited and the entities it controlled during the period.



Gareth Few
Partner

BDO East Coast Partnership

Sydney, 31 August 2015

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General information

The financial report covers AusTex Oil Limited as a group consisting of AusTex Oil Limited and the entities it controlled at the end of, or during, the half-year. The financial report is presented in US dollars, which is AusTex Oil Limited's functional and presentation currency.

AusTex Oil Limited is a listed public company limited by shares, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Level 11, 2 Bligh Street
Sydney
NSW 2000
Australia

The company is limited by shares which are publicly listed on the Australian Securities Exchange ('ASX') and the OTCQX International. A description of the nature of the group's operations and its principal activities are included in the directors' report, which is not part of the financial report.

The financial report was authorised for issue, in accordance with a resolution of directors, on 31 August 2015.

AusTex Oil Limited
Statement of profit or loss and other comprehensive income
For the half-year ended 30 June 2015



	Note	Consolidated 30.06.2015 US\$	30.06.2014 US\$
Revenue			
Sales revenue		6,981,411	13,141,712
Net gains from derivatives		305,266	176,301
		<u>7,286,677</u>	<u>13,318,013</u>
Cost of sales		<u>(3,437,673)</u>	<u>(4,121,444)</u>
Gross profit		<u>3,849,004</u>	<u>9,196,569</u>
Expenses			
Depreciation and amortisation expense		(3,598,696)	(2,563,176)
Asset impairment expense on capitalised exploration and development costs		-	(735,367)
Other production costs		(472,721)	(1,809,309)
General and administrative expenses	4	(2,461,022)	(1,674,876)
Other income	3	61,401	174,617
Finance costs		<u>(444,623)</u>	<u>(298,677)</u>
Profit/(loss) before income tax expense		(3,066,657)	2,289,781
Income tax expense		<u>(73,335)</u>	-
Profit/(loss) after income tax expense for the half-year		(3,139,992)	2,289,781
Other comprehensive income			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Foreign currency translation		<u>(25,385)</u>	<u>(2,555)</u>
Other comprehensive income for the half-year, net of tax		<u>(25,385)</u>	<u>(2,555)</u>
Total comprehensive income for the half-year		<u><u>(3,165,377)</u></u>	<u><u>2,287,226</u></u>
Profit/(loss) for the half-year is attributable to:			
Non-controlling interest		(15,816)	-
Owners of AusTex Oil Limited		<u>(3,124,176)</u>	<u>2,289,781</u>
		<u><u>(3,139,992)</u></u>	<u><u>2,289,781</u></u>
Total comprehensive income for the half-year is attributable to:			
Non-controlling interest		-	-
Owners of AusTex Oil Limited		<u>(3,165,377)</u>	<u>2,287,226</u>
		<u><u>(3,165,377)</u></u>	<u><u>2,287,226</u></u>
		Cents	Cents
Basic earnings per share	14	(0.56)	0.51
Diluted earnings per share	14	(0.56)	0.42

The above statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes

AusTex Oil Limited
Statement of financial position
As at 30 June 2015



	Note	Consolidated	Consolidated
		30.06.2015	31.12.2014
		US\$	US\$
Assets			
Current assets			
Cash and cash equivalents		23,533,701	14,900,640
Trade and other receivables		1,250,381	2,144,304
Inventories		443,937	429,038
Derivative financial instruments	5	2,592,361	3,847,830
Other		365,717	391,274
Total current assets		<u>28,186,097</u>	<u>21,713,086</u>
Non-current assets			
Derivative financial instruments	6	845,472	1,700,004
Property, plant and equipment	7	1,037,054	1,027,958
Oil and gas assets	8	48,146,910	49,839,892
Other		151,292	157,131
Total non-current assets		<u>50,180,728</u>	<u>52,724,985</u>
Total assets		<u>78,366,825</u>	<u>74,438,071</u>
Liabilities			
Current liabilities			
Trade and other payables		542,143	2,088,850
Borrowings	9	1,018,541	916,937
Total current liabilities		<u>1,560,684</u>	<u>3,005,787</u>
Non-current liabilities			
Borrowings	10	19,250,000	11,427,232
Deferred tax		477,335	404,000
Provisions		285,841	276,229
Total non-current liabilities		<u>20,013,176</u>	<u>12,107,461</u>
Total liabilities		<u>21,573,860</u>	<u>15,113,248</u>
Net assets		<u>56,792,965</u>	<u>59,324,823</u>
Equity			
Issued capital		89,830,381	89,830,381
Reserves		1,100,620	492,486
Accumulated losses		<u>(34,393,376)</u>	<u>(31,269,200)</u>
Equity attributable to the owners of AusTex Oil Limited		56,537,625	59,053,667
Non-controlling interest		255,340	271,156
Total equity		<u>56,792,965</u>	<u>59,324,823</u>

The above statement of financial position should be read in conjunction with the accompanying notes

AusTex Oil Limited
Statement of changes in equity
For the half-year ended 30 June 2015



Consolidated	Share capital US\$	Convertible note US\$	Foreign currency translation US\$	Accumulated losses US\$	Options reserve US\$	Total equity US\$
Balance at 1 January 2014	78,926,563	3,167,029	(5,073,082)	(22,830,839)	827,875	55,017,546
Profit after income tax expense for the half-year	-	-	-	2,289,781	-	2,289,781
Other comprehensive income for the half-year, net of tax	-	-	(2,555)	-	-	(2,555)
Total comprehensive income for the half-year	-	-	(2,555)	2,289,781	-	2,287,226
<i>Transactions with owners in their capacity as owners:</i>						
Convertible note converted	-	(3,167,029)	-	-	-	(3,167,029)
Options expense reserve	-	-	-	-	100,864	100,864
Issue of shares	10,980,286	-	-	-	-	10,980,286
Share issue costs	(64,192)	-	-	-	-	(64,192)
Balance at 30 June 2014	<u>89,842,657</u>	<u>-</u>	<u>(5,075,637)</u>	<u>(20,541,058)</u>	<u>928,739</u>	<u>65,154,701</u>
Consolidated	Share capital US\$	Options reserves US\$	Foreign currency translation US\$	Accumulated losses US\$	Non- controlling interest US\$	Total equity US\$
Balance at 1 January 2015	89,830,381	1,770,467	(1,277,981)	(31,269,200)	271,156	59,324,823
Loss after income tax expense for the half-year	-	-	-	(3,124,176)	(15,816)	(3,139,992)
Other comprehensive income for the half-year, net of tax	-	-	(25,385)	-	-	(25,385)
Total comprehensive income for the half-year	-	-	(25,385)	(3,124,176)	(15,816)	(3,165,377)
<i>Transactions with owners in their capacity as owners:</i>						
Share-based payments	-	182,295	-	-	-	182,295
Options expense	-	451,224	-	-	-	451,224
Balance at 30 June 2015	<u>89,830,381</u>	<u>2,403,986</u>	<u>(1,303,366)</u>	<u>(34,393,376)</u>	<u>255,340</u>	<u>56,792,965</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes

AusTex Oil Limited
Statement of cash flows
For the half-year ended 30 June 2015



	Consolidated	
	30.06.2015	30.06.2014
	US\$	US\$
Cash flows from operating activities		
Receipts from customers	7,286,677	12,491,798
Interest received	1,942	20,733
Payments to suppliers and employees	(4,574,479)	(7,610,604)
Finance costs	(444,623)	(200,336)
Other receipts	59,459	50,466
	<u>2,328,976</u>	<u>4,752,057</u>
Net cash from operating activities		
Cash flows from investing activities		
Payments for plant and equipment	(211,989)	(219,468)
Proceeds from the sale of plant and equipment	-	18,754
Payments for exploration evaluation and development expenditures	(1,775,208)	(14,340,907)
	<u>(1,987,197)</u>	<u>(14,541,621)</u>
Net cash used in investing activities		
Cash flows from financing activities		
Proceeds from issue of shares	-	3,451,644
Payments for costs of share issues	-	(62,252)
Payments of borrowings	-	(41,306)
Proceeds from borrowings	8,388,594	60,682
Repayment of borrowings	(75,628)	-
	<u>8,312,966</u>	<u>3,408,768</u>
Net cash from financing activities		
Net increase/(decrease) in cash and cash equivalents	8,654,745	(6,380,796)
Cash and cash equivalents at the beginning of the financial half-year	14,900,640	16,999,489
Effects of exchange rate changes on cash and cash equivalents	(21,684)	93,445
	<u>23,533,701</u>	<u>10,712,138</u>
Cash and cash equivalents at the end of the financial half-year		

The above statement of cash flows should be read in conjunction with the accompanying notes

Note 1. Significant accounting policies

These general purpose financial statements for the interim half-year reporting period ended 30 June 2015 have been prepared in accordance with Australian Accounting Standard AASB 134 'Interim Financial Reporting' and the Corporations Act 2001, as appropriate for for-profit oriented entities. Compliance with AASB 134 ensures compliance with International Financial Reporting Standard IAS 34 'Interim Financial Reporting'.

These general purpose financial statements do not include all the notes of the type normally included in annual financial statements. Accordingly, these financial statements are to be read in conjunction with the annual report for the year ended 31 December 2014 and any public announcements made by the company during the interim reporting period in accordance with the continuous disclosure requirements of the Corporations Act 2001. Due to amendments made during the full year audit this has affected the comparative figures within this financial report.

The principal accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the policies stated below.

Consolidation

The consolidated financial report includes the consolidation of AusTex Oil Limited, AusTex Oil Holdings LLC, parent of IEC Holdings LLC and its subsidiaries International Energy Corporation (Oklahoma) and its subsidiary Well Enhancements Services LLC, International Energy LLC and International Energy Company LLC.

Sales revenue, cost of sales and other production costs

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and that it can be reliably measured.

Revenue from the sale of hydrocarbons is recognised in the financial period during which hydrocarbons are produced, provided that prior to the reporting date they are either sold or delivered in the normal course of business in accordance with agreements with purchasers. Sales revenue represents amounts invoiced, excluding applicable taxation.

Interest revenue is recognised using the effective interest rate method, which, for floating rate financial assets, is the rate inherent in the instrument.

Net sales are based on the company's working interest percentages. Cost of sales includes royalties, production taxes, marketing costs and lease operating expenses. Other production costs under operating costs includes direct labour costs for field operations and development; field equipment, repairs and maintenance; motor vehicle expenses; and related consulting and professional fees.

New, revised or amending Accounting Standards and Interpretations adopted

The group has adopted all of the new, revised or amending Accounting Standards and Interpretations issued by the Australian Accounting Standards Board ('AASB') that are mandatory for the current reporting period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

Note 2. Operating segments

Identification of reportable operating segments

The group operates predominantly in one business segment; that being the exploration, development and production of hydrocarbons in the USA. It does not have any active operations in Australia other than the maintenance of the parent entity's registered office and associated statutory reporting and disclosure obligations. All executive and operating management, other than the corporate secretary and two non-executive directors as required under the company's constitution, are in the United States.

On that basis, management has determined the reportable operating segments as being USA and Australia. These segments are based on the internal reports that are reviewed and used by the Board (who are identified as the Chief Operating Decision Makers ('CODM')) in assessing performance and in determining the allocation of resources. There is no aggregation of operating segments.

Note 2. Operating segments (continued)

The CODM reviews EBITDA (earnings before interest, tax, depreciation and amortisation). The accounting policies adopted for internal reporting to the CODM are consistent with those adopted in the financial statements.

The information reported to the CODM is on at least a monthly basis.

Major customers

During the half-year ended 30 June 2015 approximately 46% (2014: <10%) of the group's external revenue was derived from sales to Mustang Fuel Products, Inc; approximately 29% (2014: 74%) of the group's external revenue was derived from sales to Sunoco, Inc; approximately 15% (2014: <10%) of the group's external revenue was derived from sales to Rose Rock Midstream Crude, Inc. There are no other significant customers with external revenues greater than 10%.

Operating segment information

Consolidated - 30.06.2015	USA US\$	Australia US\$	Intersegment eliminations/ unallocated US\$	Total US\$
Revenue				
Revenue	7,286,677	-	-	7,286,677
Total revenue	<u>7,286,677</u>	<u>-</u>	<u>-</u>	<u>7,286,677</u>
Revenue	7,286,677	-	-	7,286,677
Cost of sales	(3,437,673)	-	-	(3,437,673)
Depreciation and depletion expense	(3,598,696)	-	-	(3,598,696)
Finance costs	(444,623)	-	-	(444,623)
Other expenses, net of income	(1,934,814)	(937,528)	-	(2,872,342)
Loss before income tax expense	<u>(2,129,129)</u>	<u>(937,528)</u>	<u>-</u>	<u>(3,066,657)</u>
Income tax expense				(73,335)
Loss after income tax expense				<u>(3,139,992)</u>
Assets				
Segment assets	78,325,036	41,789	-	78,366,825
Total assets				<u>78,366,825</u>
Liabilities				
Segment liabilities	21,399,099	174,761	-	21,573,860
Total liabilities				<u>21,573,860</u>

Note 3. Other income

	Consolidated 30.06.2015 US\$	30.06.2014 US\$
Profit on disposal of non-current assets	30,280	35,603
Exchange gain on disposal of convertible notes	-	103,418
Credit interest	1,942	20,733
Sundry income	29,179	14,863
	<u>61,401</u>	<u>174,617</u>

Note 4. Expenses

	Consolidated	
	30.06.2015	30.06.2014
	US\$	US\$

Profit/(loss) before income tax includes the following specific expenses:

General and administrative expenses include:

Options expense	451,224	97,816
Other share-based payments	182,295	-
	633,519	97,816

Note 5. Current assets - derivative financial instruments

	Consolidated	
	30.06.2015	31.12.2014
	US\$	US\$

Derivatives	2,592,361	3,847,830
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Refer to note 12 for further information on fair value measurement.

The Group is exposed to price risk which relates to the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices largely due to demand and supply factors for oil and gas. In conjunction with the term loan agreement covenant, the group is expected to hedge for price risk on 70% to 90% reasonable projected volume. Open positions were marked to market based on settlement prices and are classified in the financial statements according to expected maturity dates.

The company uses futures, swaps and options to meet customer needs and locks in market opportunities. These instruments are intended to be cash flow transactions and are not used for trading. Gains and losses related to contracts are reflected in revenue as these contracts are realised. Hedge accounting is not used for these commodity derivatives.

Note 6. Non-current assets - derivative financial instruments

	Consolidated	
	30.06.2015	31.12.2014
	US\$	US\$

Derivatives	845,472	1,700,004
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Refer to note 12 for further information on fair value measurement.

Note 7. Non-current assets - property, plant and equipment

	Consolidated	
	30.06.2015	31.12.2014
	US\$	US\$

Property plant & equipment	2,218,658	2,088,670
Less: Accumulated depreciation	(1,181,604)	(1,060,712)
	1,037,054	1,027,958

Note 7. Non-current assets - property, plant and equipment (continued)

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Property, plant & equipment US\$	Total US\$
Balance at 1 January 2015	1,027,958	1,027,958
Additions	211,989	211,989
Disposals	(82,001)	(82,001)
Depreciation expense	(120,892)	(120,892)
Balance at 30 June 2015	<u>1,037,054</u>	<u>1,037,054</u>

Note 8. Non-current assets - Oil and gas assets

	Consolidated 30.06.2015 US\$	31.12.2014 US\$
Oil & gas assets	79,857,991	78,082,783
Less: Accumulated depreciation	<u>(31,711,081)</u>	<u>(28,242,891)</u>
	<u>48,146,910</u>	<u>49,839,892</u>

Reconciliations

Reconciliations of the written down values at the beginning and end of the current financial half-year are set out below:

Consolidated	Oil and gas US\$	Total US\$
Balance at 1 January 2015	49,839,892	49,839,892
Additions	1,775,208	1,775,208
Amortisation expense	(3,468,190)	(3,468,190)
Balance at 30 June 2015	<u>48,146,910</u>	<u>48,146,910</u>

Note 9. Current liabilities - borrowings

	Consolidated 30.06.2015 US\$	31.12.2014 US\$
Term Loan	750,000	750,000
Lease liability	<u>268,541</u>	<u>166,937</u>
	<u>1,018,541</u>	<u>916,937</u>

Total secured liabilities

The term loan agreement was entered on 23 October 2014 with Macquarie Bank Limited (Houston). The terms of the loan should be read in conjunction with the group's annual financial statements as at 31 December 2014.

Assets pledged as security

The lease liabilities are effectively secured by the underlying leased assets and is predominantly related to field vehicles.

Note 9. Current liabilities - borrowings (continued)

Financing arrangements

Unrestricted access was available at the reporting date to the following lines of credit:

	Consolidated	
	30.06.2015	31.12.2014
	US\$	US\$
Total facilities		
Term loan *	<u>20,000,000</u>	<u>20,000,000</u>
Used at the reporting date		
Term loan *	<u>20,000,000</u>	<u>12,000,000</u>
Unused at the reporting date		
Term loan *	<u>-</u>	<u>8,000,000</u>

* Additional availability at discretion of lender of \$40 million

Note 10. Non-current liabilities - borrowings

	Consolidated	
	30.06.2015	31.12.2014
	US\$	US\$
Term Loan	19,250,000	11,250,000
Lease liability	-	177,232
	<u>19,250,000</u>	<u>11,427,232</u>

Total secured liabilities

The total secured liabilities (current and non-current) are as follows:

	Consolidated	
	30.06.2015	31.12.2014
	US\$	US\$
Term Loan	20,000,000	12,000,000
Lease liability	268,541	344,169
	<u>20,268,541</u>	<u>12,344,169</u>

Assets pledged as security

The bank overdraft and loans are secured by first mortgages over the group's land and buildings.

The lease liabilities are effectively secured as the rights to the leased assets, recognised in the statement of financial position, revert to the lessor in the event of default.

Note 11. Equity - dividends

There were no dividends paid, recommended or declared during the current or previous financial half-year.

Note 12. Fair value measurement

The carrying amounts of trade and other receivables and trade and other payables are assumed to approximate their fair values due to their short-term nature.

The fair value of financial liabilities is estimated by discounting the remaining contractual maturities at the current market interest rate that is available for similar financial liabilities.

Derivative financial instruments have been valued using quoted market rates (level 1). This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates. All derivative financial instruments remain valued as at level 1 assets or continue to be valued as level 1 assets.

Note 13. Events after the reporting period

No matter or circumstance has arisen since 30 June 2015 that has significantly affected, or may significantly affect the group's operations, the results of those operations, or the group's state of affairs in future financial years.

Note 14. Earnings per share

	Consolidated	
	30.06.2015	30.06.2014
	US\$	US\$
Profit/(loss) after income tax	(3,139,992)	2,289,781
Non-controlling interest	15,816	-
	<u>(3,124,176)</u>	<u>2,289,781</u>
	Number	Number
Weighted average number of ordinary shares used in calculating basic earnings per share	562,571,402	449,191,943
Adjustments for calculation of diluted earnings per share:		
Options over ordinary shares	-	97,821,451
	<u>562,571,402</u>	<u>547,013,394</u>
	Cents	Cents
Basic earnings per share	(0.56)	0.51
Diluted earnings per share	(0.56)	0.42

In the directors' opinion:

- the attached financial statements and notes comply with the Corporations Act 2001, Australian Accounting Standard AASB 134 'Interim Financial Reporting', the Corporations Regulations 2001 and other mandatory professional reporting requirements;
- the attached financial statements and notes give a true and fair view of the group's financial position as at 30 June 2015 and of its performance for the financial half-year ended on that date; and
- there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of directors made pursuant to section 303(5)(a) of the *Corporations Act 2001*.

On behalf of the directors

A handwritten signature in blue ink, appearing to read "Richard Adrey".

R Adrey
Co-Managing Director

31 August 2015
Sydney

INDEPENDENT AUDITOR'S REVIEW REPORT

To the members of AusTex Oil Limited

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of AusTex Oil Limited, which comprises the statement of financial position as at 30 June 2015, the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the company are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 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 we 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 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 us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of AusTex Oil Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.



Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of AusTex Oil Limited 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 June 2015 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*

BDO East Coast Partnership

A stylized signature of the BDO firm, consisting of the letters 'BDO' in a cursive, handwritten style.

A handwritten signature in cursive script that reads 'Gareth Few'.

Gareth Few
Partner

Sydney, 31 August 2015