

MARCH 2016 QUARTERLY ACTIVITIES REPORT

Highlights:

MARCH QUARTER

- Quarterly Net Revenue - USD \$2.2M.
- Quarterly Oil and Gas Production – 69.5 MBOE.
- Production continues to be targeted to match strong hedging position.
- Quarter Ending Cash Position USD \$24.6M.
- Strong Focus on Growth through Acquisition and Other Opportunities.
- Continued Reduction in non-essential field staff from 2015.
- Maintaining improved cash flows and a strong balance sheet.
- Marginal wells continue to be temporarily shut in: 10 in Oklahoma.
- Release of Full Year Statutory Accounts and Reserves Report.

SUBSEQUENT TO QUARTER END

- Holding of First Quarterly Investor Call.
- Ongoing Review of Investment and Acquisition Opportunities.
- 68 Company Operated wells and 4 non-operated wells producing with an additional 2 wells in pre-production.
- Drilling of the Company's first well in 2016 at Snake River in Oklahoma.

ASX: AOK OTCQX: ATXDY

1. AusTex’s March 2016 Quarter

The Board of AusTex Oil Limited (**AusTex** or the **Company**) (**ASX: AOK - OTCQX: ATXDY**) is pleased to provide its Quarterly Activities Report for the quarter ending 31 March 2016.

ASX Announcements During the March Quarter		
1	Quarterly Activities Report	29 January
2	Details of Investor Call	5 February
3	Details of Investor Call Updated	5 February
4	Investor Call Transcript	10 February
5	Appendix 4E and Full Year Statutory Accounts	29 February
6	Full Year Reserves Report	1 March

Table 1: Summary of ASX Releases during the March 2016 Quarter (above).

2. Operations Overview

Consistent with its strategy outlined in recent quarters, this current downturn in the oil sector is providing the Company with the opportunity to maintain the dual focus of, firstly, using its strong balance sheet and cash reserves of more than USD\$24.6M (flat from the previous quarter) to pursue acquisition opportunities that meet the Company’s stringent criteria and, secondly, continuing to prudently develop and produce at its 100% owned Snake River Project in Kay County, Northern Oklahoma targeting the liquid rich Mississippi Lime formation.

Development

Subsequent to the end of the quarter AusTex commenced drilling its first well at Snake River in 2016, with the spudding of the Steichen 12-1A in the north eastern quadrant of the Company’s Snake River acreage. As stated in the December quarter, this is an area which has some old but compelling production and the drilling is being undertaken so the Company can enhance its understanding of the complicated Mississippian geology in the area to enable a higher quality and more consistent drilling program once the oil price rebounds. The well drilled to a Total Depth of 4,290 feet and is targeting the Mississippi Chat formation. Samples and open hole logs indicate the presence of commercial hydrocarbons and a completion design is being engineered. Although all the costs are not in as yet, it is anticipated that the total drill and completion will be 50% less than our average for wells drilled in the area. A reduction of that magnitude is likely not sustainable going forward, but in this environment, well costs of USD\$450,000 – USD\$525,000 are expected to be sustainably feasible.

Acquisitions

In addition to moderate incremental development at Snake River at this time, the Company is also seeking acquisitions that offer either a strategic fit with its existing asset base or diversification with sufficient scale to provide operational efficiency. AusTex continues to look for opportunities to undertake and expects the continued downturn in the oil price will mean that price expectations between buyers and sellers will merge closer. The Company is continuing to look for assets that will provide a combination of stable returns at the forward

curve and a meaningful uplift in value with any upswing in the oil price however there is no guarantee the Company will conclude any acquisitions.

With the Company's objective of aiming to grow through acquisition and the prior development focus of Snake River in Oklahoma, AusTex only retains a legacy tail of production in Kansas contributing around 1 to 2% to the Company's overall production. Consistent with its strategy outlined over the previous two years, AusTex is no longer pursuing any additional activities in Kansas and is allowing its Cooper, Colby and Ellsworth Leases to expire where the acreage is not presently held by production (refer Table 4 for a summary of the Company's acreage position in Kansas which has decreased significantly in the past two years).

In response to the continued low oil price, the Company has endeavoured to consistently reduce or eliminate unnecessary or inefficient expenses including but not limited to non-essential costs, underutilized staff and reductions in pricing of necessary services. Across the latter part of 2015 staffing levels were significantly reduced from approximately 24 personnel down to 10 which produced significant ongoing savings. As a result of these actions, lease operating expenses have continued to decline to around an average of ~\$4.08 per BOE from an average of ~\$4.20 per BOE in the fourth quarter of 2015.

3. Production and Revenue

Given the ongoing oil price compression, production remained constrained in the March quarter so as to preserve oil in the formation for sale in a more favourable pricing environment. The Company intends to continue to roughly match production with the Company's hedging book. At the end of the quarter a total of 10 wells were shut in as being non-economic at this time. This strategy will continue in the near term with the Company continuing to monitor oil prices. Should the forward curve move up or down significantly from March quarter levels, management will likely adjust the number of wells in active production according to their economic contribution.

The Steichen 12-1A outlined in section 2 above is the first well drilled since the Wyckoff #29-6 which was drilled into the Mississippian formation in the south western quadrant of the Snake River field during the September quarter last year. As reported last quarter, the Wyckoff #29-6 has completed the first 90 day flow back period and is currently producing approximately only 11 BOE/D including 7 BBL/D of oil. It was a project to test a single stage frac that did not have positive results and is under study for recompletion.

While the Company has not concluded any new acquisitions, the Board believes that its strategy is appropriately conservative to ensure the long term creation of shareholder value and does not warrant adjustment, given the current environment. As of March 31 there was no change in the Company's cash position from the previous quarter while preparing for drilling. The quarter's production saw a decline on the previous quarter due to wells being temporarily shut in to minimize noneconomic operation and the natural declines associated with reservoir mechanics. Production numbers by month for the first quarter of 2016 are shown in *Table 2*.

Table 2: Monthly Production and Cumulative Annual Total for 2016 (below).

Month	Monthly Production (BOE)	Average Daily Production (BOE)	Change from Previous Month	Cumulative Calendar Year Production (BOE)
January	23,944	772	-1,756	23,944
February	21,857	754	-2,087	45,819
March	23,713	765	1,856	69,532

A summary of the Company's producing and pre-production wells at Snake River at the end of the March quarter is shown in *Table 3* below.

Table 3: Wells by stage of production process (below).

Well Count as of:	31 March 2016
Pumping – Non Operated	4
Pumping – Operated	68
Flowing / Testing	0
Drilled / Fracked	2
Current Shut-In	10
Total Wells	84

Gross profit from operations for the March quarter was USD \$1.91M (net to AusTex after royalties, taxes and lease operating expenses of USD \$0.66M). Capital investments made during the quarter for development were negligible. Cash and cash equivalents on hand at the end of the quarter was USD \$24.6M.

4. Oklahoma

4.1 Snake River Project, Kay County, Northern Oklahoma – ~10,500 acres AusTex 100% Working Interest (WI) ~81% Net Revenue Interest (NRI)

The Snake River Project is located in Kay County, Northern Oklahoma, and is the Company's primary development focus. AusTex is the operator of the Snake River Project and will continue to develop vertical wells with the primary target being the Mississippian interval which is approximately 4,300 feet below surface (or deeper according to structural relief). The centre of the project lies approximately 5 miles south west of Ponca City and the general area hosts significant infrastructure including an oil refinery, gas gathering facilities, gas sales lines and a compression and liquids stripping plant owned by other companies. As part of AusTex's focus on capital allocation, the Company has allowed some of its leases to expire un-renewed in the Snake River project. Some of that acreage has been deemed to be un compelling. In other circumstances, it is more cost effective to allow the lease to expire and release than to pay the

extension bonus. Leasing in the area now occurs at \$100 - \$150 per acre versus 2014 levels of \$300 - \$350.

Operations

During the quarter, the Company did not drill any new vertical wells at the Snake River Project but drilled a new well, the Steichen 12-1A subsequent to the quarter as outlined above. The total number of wells at Snake River at the end of the quarter was 84 including 4 non-operated wells, 2 wells under completion and 10 shut-in wells.

5. Other Projects

5.1 Tulsa and Surrounds

During the quarter 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 contributed only a nominal amount to production in the quarter.

5.2 Kansas

In accordance with previous announcements to the market, given the success of the Snake River Project in Northern Oklahoma, following on from previous quarters there was no exploration, development or production work on the Company's acreage in Kansas in the December quarter. The Company continues to review its acreage throughout Kansas as it prioritizes the acceleration of development and production at Snake River and identifying acquisition and other corporate opportunities. The Company's acreage in Kansas contributes only a nominal amount to production of around 1% to 2% of total production.

6. Lease Operating Schedule

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

Lease Name	Net Acreage	Wi	NRI	Status	County, State
Snake River	~10,500	100%	~81%	Development Producing	Kay County, OK
Tulsa and surrounds	~600	100%	81%	Producing	Tulsa, OK
Ellsworth	~500	50%	38%	Producing	Ellsworth, KS

Table 4 (above): AusTex Oil's Lease Operating Schedule.

7. Corporate Update

A summary of ASX releases during the March quarter is outlined in *Table 1* (on page 2).

7.1 Full Year Statutory Accounts:

On 29 February the Company released its full year statutory accounts for the 12 month period to 31 December 2015 and the following day released its full year reserves report.

7.2 Quarterly Investor Call:

AusTex held its first Quarterly Investor Call on 10 February in which shareholders were able to dial in and hear from management in the US about the Company's current activities. Given the Company's Annual General Meeting is to be held on 31 May with Mr Nick Stone being present in Sydney, the Board proposes to schedule the next investor call in conjunction with the AGM and Mr Stone's visit to Sydney.

7.3 Significant Hedge Position:

AusTex's current production remains substantially hedged at oil prices well in excess of the current spot market. The Company's current hedge position is as follows:

	<u>Q2-16</u>	<u>Q3-16</u>	<u>Q4-16</u>	<u>Q1-17</u>	<u>Q2-17</u>	<u>Q3-17</u>
Oil Wtd Avg. Floor	\$80.00	\$80.00	\$80.00	\$60.75	\$51.50	\$51.50
% of Current Production	77%	74%	70%	64%	51%	51%
Gas Wtd Avg. Floor	\$3.76	\$3.80	\$3.93			
% of Current Production	53%	53%	47%			

8. Events Subsequent to the Quarter

The only matter to report subsequent to the end of the quarter was the drilling of the Steichen 12-1A outlined herein.

For and on behalf of AusTex Oil Limited

Justin B Clyne

Non-Executive Director & Company Secretary

29 April 2016