

DECEMBER 2016 QUARTERLY ACTIVITIES REPORT

Highlights:

DECEMBER QUARTER

- **Completes First Major Acquisition as part of its Growth Strategy;**
- **Over 1,000 acres near Cushing, Oklahoma currently producing 160 BOPD plus some associated gas sales;**
- **AusTex 50% Owner and Joint Venture Operator;**
- **Positive Impact to Reserves;**
- **Quarterly Net Revenue - USD \$2.0M;**
- **Quarterly Oil and Gas Production – 63,715 MBOE;**
- **Production continues to be targeted to match hedging positions;**
- **Quarter Ending Cash Position USD \$18.87M; and**
- **Continued Strong Focus on Additional Acquisitions and Other Opportunities;**

SUBSEQUENT TO QUARTER END

- **Forward Strategy – committed to recommence drilling at Snake River with a minimum of two wells in Snake River;**
- **Dual Focus of Acquisitions and Drilling in Stronger Oil Price Environment; and**
- **247 Company Operated wells including 109 shut-ins and 0 wells in pre-production with a further 6 non-operated producing wells.**

ASX: AOK OTCQX: ATXDY

1. AusTex's December 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 December 2016.

ASX Announcements During the September Quarter		
1	Quarterly Activities Report	31 October
2	AusTex Completes First Major Acquisition	18 November

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

2. Operations Overview

Acquisitions

During the quarter, the Company completed two acquisitions. The first acquisition in October was the acquisition of 6 wells in the immediate vicinity of Snake River for a small outlay of just USD\$0.2m. While the size of the acquisition was not material (representing less than 1% of cash on hand at the time), it is proving to be a rewarding deal for the Company, generating Proved Developed Producing (PDP) reserves valued on a PV10 basis at a level higher than the price paid. The Company has identified two potential drilling targets as part of the ~500 acres acquired as part of the transaction which provides some additional upside from the deal as well and plans to drill those targets in the second half of '17. This deal has built in value in terms of reserves with potential upside from working over existing wells and drilling new locations on the acreage.

The Company's second acquisition was significant. As announced to the ASX on 18 November, AusTex completed the acquisition which has the following value accretive benefits to the Company:

- Approximately 1,000 acres near Cushing in Oklahoma including yards and structures;
- Producing 160 BOPD;
- 50% Owner and Joint Venture Operator;
- AusTex's share of the acquisition cost was USD\$3.25m; and
- Significant boost to Reserves position at Year End.

The Company's announcement stated, in part:

"...The age of the wells creates compelling stability in the production declines (unlike the newer wells we and others drill in the area). That stability creates very compelling long term value and offers significant value upside in a rising oil price environment as we no longer need to match the recovery with the "flush" production at the beginning of a well's life. Not only have we therefore captured good value at the forward curve on the buy, we have also secured a compelling, long duration option on oil price upside. Furthermore, the family selling this asset has not invested material capital in these wells for many years, and as such we believe there are significant near term opportunities to recomplete and workover wells to lift production..."

...In addition to the production, as part of the acquisition, AusTex is also acquiring 200 acres (net) of surface real estate and equipment.

The fair market value of the net assets acquired and the appropriate accounting and reporting thereof is subject to the completion of the Company's annual audit examination currently in process and to the completion of the independent engineering report as of January 1, 2017.

Following these acquisitions, the Company retains a strong pipeline of acquisition opportunities and while there can be no guarantees of success in acquisition efforts, the Board is encouraged about the potential for compelling transactions in light of its recent success.

Development

The Company believes that we are moving into an oil price environment where in-field well drilling will make better sense and produce favourable economics to justify the recommencement of drilling. Given that the majority of the Company's acreage is held by production already, the Company will initially drill selective wells that are required to hold highly prospective acreage, to increase our knowledge of the geology in the area and to test the productive potential of new areas of interest. During the quarter, the Company drilled no new wells, however, there was a busy workover schedule on wells associated with the acquisitions.

Forward Work Program

With recent stability in oil prices and potentially a more favourable outlook going forward, the Board believes now is the time to recommence an active drilling campaign alongside its focus on acquisitions. The Company plans to undertake drilling at both Snake River and the Drumright Dome starting Q1.

3. Production and Revenue

During the quarter, the Company's production was roughly matched with the Company's hedging book. At the end of the quarter a total of 109 wells were shut in as being non-economic or newly acquired, up from the prior quarter, and are under geologic or engineering review. With the recent increase in the oil price, management is now more likely to adjust upwards the number of wells in active production according to their economic contribution.

As of December 31 there was a decrease of US\$6.1M in the Company's cash position from the previous quarter principally due to the cost of the Drumright Acquisition, ensuing workovers and a US\$2.6M pay-down in its loan facility to approximately US\$17m. 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 full 2016 year are shown in *Table 2* and by quarter in *Table 3*.

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	45,801
March	23,713	765	1,856	69,514
April	21,474	716	-2,239	90,988
May	24,302	784	2,828	115,290
June	21,328	711	-2,974	136,618
July	21,617	697	289	158,235
August	20,912	675	-705	179,147
September	20,245	675	-667	199,392
October	21,305	687	1,060	220,697
November	21,136	705	-169	241,833
December	21,274	686	138	263,107

Table 3: Quarterly Production and Cumulative Annual Total for 2016 (below).

Quarter Ending	Total Production ('000BOE)	Change from Previous Quarter	Cumulative Calendar Year Production ('000BOE)
31 March	69,514	-	-
30 June	67,104	-2,410	136,618
30 September	62,773	-4,331	199,391
31 December	63,715	942	263,107

A summary of the Company's producing and pre-production wells for all its properties at the end of the December quarter is shown in *Table 4* below.

Table 4: Wells by stage of production process (below).

Well Count as of:	31 December 2016
Pumping – Non Operated	6
Pumping – Operated	132
Flowing / Testing	0
Drilled / Fracked	0
Current Shut-In	109
Total Wells	247

Gross profit from operations for the December quarter was USD \$1.5M. Capital investment made during the quarter for development was USD\$50k. In addition to the Company's major acquisition

near Cushing in Oklahoma for USD\$3.25m, the Company also acquired a series of wells near-by Snake River for USD\$0.2M. Cash and cash equivalents on hand at the end of the quarter was USD \$18.87M.

4. Oklahoma

4.1 Snake River Project, Kay County, Northern Oklahoma – ~9,900 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, in the Snake River project, as some of that acreage is not compelling given market conditions. 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 ~ \$150 per acre versus 2014 levels of \$300 - \$400.

Operations

During the quarter, the Company acquired 6 wells in the immediate vicinity of the field and started the process of cleaning up and recompleting the well bores. That activity will likely continue to occur over the next 6 months.

4.2 Drumright Dome Project, Creek & Lincoln Counties, Oklahoma – consists of over 1,000 acres AusTex 50% Working Interest (WI) ~42% Net Revenue Interest (NRI). There are approximately 96 producing wells and 19 injection or disposal wells plus some older shut-in wells that will be evaluated for recompletion. This area has a significant history and much of the flush production has been reduced; however, it still holds untapped reserves and long-life production through secondary and tertiary methods. There is current drilling in the area by others with good returns on investment.

Our first mission has been to address the deferred maintenance along with more up-to-date production practices to better optimize production and reduce lease operating expenses. It is our plan to be positioned for second quarter increases in oil production.

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 and the new acquisition

near Cushing County. 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 and the strategy of growing through acquisitions, following on from previous quarters there was no exploration, development or production work on the Company's acreage in Kansas in the previous 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	~9,900	100%	~81%	Development Producing	Kay County, OK
Drumright Dome	~1,000	50%	~42	Development Producing	Creek & Lincoln, OK
Tulsa and surrounds	~600	100%	81%	Producing	Tulsa, OK
Ellsworth	~500	50%	38%	Producing	Ellsworth, KS

Table 5 (above): AusTex Oil's Lease Operating Schedule as at 31 December 2016.

7. Corporate Update

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

7.1 Forthcoming Resignation of Justin Clyne as a Director:

Justin Clyne has advised the Board today that he will be resigning as a Director of AusTex effective 30 April this year. Justin has informed the Board that he is taking the step to focus on other opportunities that have grown in recent times and are now forcing time constraints upon him. Justin will remain with the Company until the end of April to ensure continuity in the Company's annual reporting and to ensure a smooth handover to a new director.

7.2 Significant Hedge Position:

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

Oil Hedging	Volume (bbl)	Wtd Avg Price	Gas Hedging	Volume (mcf)	Wtd Avg Price
January 2017	5,000	60.75	January 2017	15,500	3.05
February 2017	5,000	60.75	February 2017	14,000	3.05
March 2017	5,000	60.75	March 2017	15,500	3.05
April 2017	4,000	51.50	April 2017	15,000	3.05
May 2017	4,000	51.50	May 2017	15,500	3.05
September 2017	4,000	51.50	September 2017	15,000	3.05
July 2017	4,000	51.50	July 2017	15,500	3.05
August 2017	4,000	51.50	August 2017	15,500	3.05
September 2017	4,000	51.50	September 2017	15,000	3.05
			October 2017	15,500	3.05
			November 2017	15,000	3.05
			December 2017	15,000	3.05

Table 6 (above): AusTex's Current Hedge Position.

Note: For simplicity and ease of understanding, all financial figures in this release exclude the impact of unrealized hedging gains and losses

For and on behalf of AusTex Oil Limited

Justin B Clyne

Non-Executive Director & Company Secretary

31 January 2017