

## SEPTEMBER 2017 QUARTERLY ACTIVITIES REPORT

### **HIGHLIGHTS:**

#### **SEPTEMBER QUARTER**

- Quarterly Net Revenue – USD \$1.6M
- Quarterly Oil & Gas Production – 52.2 MBOE
- Quarter Ending Cash Position USD \$2.1M
- Maintaining positive cash flows

#### **SUBSEQUENT TO QUARTER'S END**

- Fully repaid Macquarie bank loan facility
- Production at Buffalo 19-2 improving with the current rate being ~20 barrels of oil per day



## **AusTex’s September 2017 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 30 September 2017.

<b>ASX Announcements During September Quarter</b>		
<b>1</b>	Appendix 4D - Half Yearly Report	31 August
<b>2</b>	Change of Director's Interest Notice - Richard Adrey	2 August
<b>3</b>	Appendix 3B	1 August
<b>4</b>	Quarterly Activities Report	31 July
<b>5</b>	Ceasing to be a substantial holder from IFL	24 July
<b>6</b>	Change in substantial holding from IFL	13 July
<b>7</b>	Change in substantial holding from IFL	4 July

**Table 1: Summary of ASX Releases during the September 2017 Quarter (above).**

## **Operations Overview**

Our strategy since the downturn in commodity prices has been to conserve capital and our oil in the ground, evaluate opportunities for acquisition, and only drill wells that make economic sense. During that time period we have made three acquisitions that added to our “held-by-production” acreage position while adding modest amounts of production with substantial upside potential as oil prices move higher. Two acquisitions added acreage in our Snake River project while the third is a 50% joint venture on ~7,700 gross acres (~3,850 net) located in the Cushing Field most of which is on the Drumright Dome. We have focused our acquisition activities on brown fields that have a history of high production but have lost pressure over the years as they typically have declined to very stable levels of production, which creates meaningful upside if or when oil prices recover.

### **Development**

As previously announced to the market, during the quarter AusTex acquired 720 acres north of Snake River, but serviced by the same field team, and has drilled its first well offsetting one of the horizontal wells drilled on this acreage. This acreage has 3D seismic, which is being reprocessed with additional attributes to take advantage of the stacked pay horizons in this area of interest.

Our Cushing Field area is historically an exceptional field for production from multiple pay zones, and although most have been previously produced, there are selective areas where some deeper zones were not targeted, and further development will take place in some of



those areas. Extensive geological work is being done to define these opportunities in preparation for development.

**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, which has been a source of disconnect historically.

**Production & Revenue**

Since oil prices started sliding in late 2014, the Company had been able to match its production to its hedged positions; however, as the number of hedges have rolled-off in this quarter, it has had an adverse effect on revenues. With that said, the decision was made during the quarter to move forward with an accelerated maintenance program to transition more of the shut-in wells into production.

With regards to the Cushing Field we have increased production since the beginning of the year. The final regulatory clearances to put some of the injection wells back into service have been received. These wells take a considerable engineering effort to put back into service, but the rewards come from having steady long-life production with very small declines.

While the Board is keen to make investments that are accretive for shareholder value, it will not rush into making unsound business decisions to invest the Company’s capital unless the Board believes an opportunity presents itself that provides an appropriate return on shareholders’ funds.

As of September 30<sup>th</sup> the Company’s cash position was down from USD\$18.1M to USD\$2.1M as a consequence of debt repayment, drilling and completion of the Buffalo 19-2 and the accelerated maintenance and workover program.

**Table 2: Monthly Production and Cumulative Annual Total for 2017 (below).**

Month	Monthly Production (BOE)	Average Daily Production (BOE)	Change from Previous Month	Cumulative Calendar Year Production (BOE)
January	18,286	590	-	18,286
February	16,804	600	-1482	35,089
March	18,802	607	1998	53,892
April	19,866	662	1064	73,758



May	20,269	654	403	94,027
June	17,274	576	-2995	111,301
July	17,184	554	-90	128,485
August	18,414	594	1230	146,899
September	16,581	553	-1833	163,480

**Table 3: Quarterly Production and Cumulative Annual Total for 2017 (below).**

Quarter Ending	Total Production ('000BOE)	Change from Previous Quarter	Cumulative Calendar Year Production ('000BOE)
31 March	53.9	-	53.9
30 June	57.4	3.5	111.3
30 September	52.2	-5.2	163.5

A summary of the Company's producing and pre-production wells in both Snake River and the Cushing Field at the end of the September quarter is shown in *Table 4*:

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

Well Count as of 30 September 2017	Gross Well Count	Net Well Count
Pumping – Non Operated	8	3
Pumping – Operated	140	107
Flowing / Testing	0	0
Drilled / Fracked	0	0
Current Shut-In	104	63
<b>Total Wells</b>	<b>252</b>	<b>173</b>

### **Lease Operating Schedule**

Pursuant to Listing Rule 5.43, a schedule of the Company's leases and interests therein is provided as follows (gross acreage shown):



***Table 5 (below): AusTex Oil's Lease Operating Schedule as at 30 September 2017.***

Lease Name	Net Acreage	WI	NRI	County / State
Snake River	~9,500	100%	~81%	Kay, Oklahoma
Tulsa and Surrounds	~600	100%	~81%	Tulsa, Oklahoma
Ellsworth	~500	50%	38%	Ellsworth, Kansas
Cushing	~3,850	50%	41%	Creek, Oklahoma

## **Corporate Update**

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

- **Half Year Statutory Reporting**

On 31 August the Company released its half year Financial Report for the 6-month period ending 30 June 2017.

- **Current Hedge Position**

AusTex's current production is hedged above current spot market. The Company's current hedge position is as follows:

***Table 6 (below next page): AusTex's Current Hedge Position.***

Oil Hedge Period	Volume	Weighted Average Price	Gas Hedge Period	Volume	Weighted Average Price
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	15,500	\$3.05
October 2017			October 2017	15,500	\$3.05
November 2017			November 2017	15,500	\$3.05
December 2017			December 2017	15,500	\$3.05

## **SUBSEQUENT EVENTS**

The Company paid down all of its debt facility with Macquarie Bank in October in order to preserve capital – there simply are not enough prospects for acquisitions at the present



time to warrant the continued interest cost. Importantly, AusTex remains in a net cash position after the repayment of that debt facility and is generating free cash flow at current prices.

Production continues to improve on Buffalo 19-2 with the well currently pumping ~20 barrels of light crude per day.

For and on behalf of AusTex Oil Limited

A handwritten signature in black ink, appearing to read "A. Bursill".

**Andrew Bursill**  
Company Secretary  
31 October 2017