

# Quarterly Activities and Cash Flow Report

28 July 2010



## AusTex Oil Limited

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## Directors

Dr Peter Power (Chairman)

Daniel Lanskey (Managing Director)

Richard Adrey (Executive Director)

Kay Philip (Non-executive Director)

Trevor Sykes (Non-Executive Director)

## For further information please

### contact:-

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Managing Director

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## About AusTex

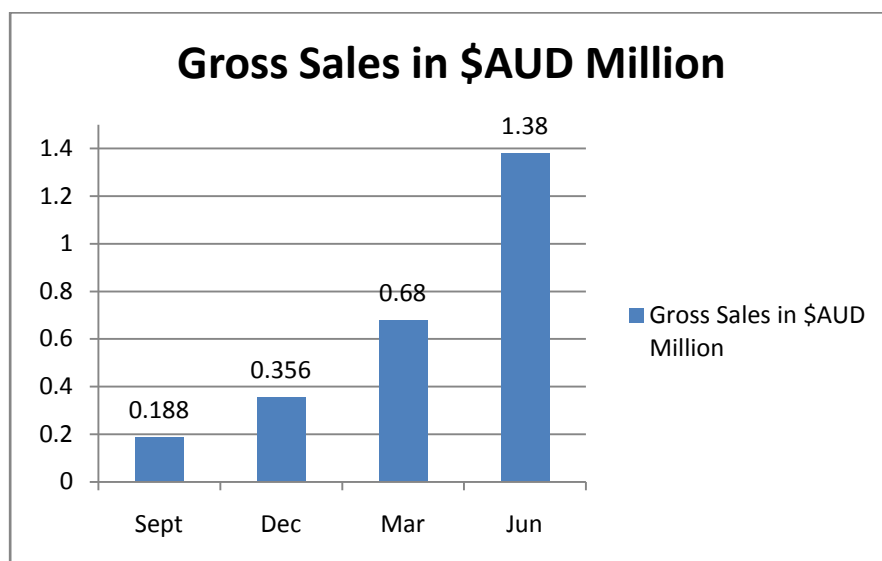
AusTex Oil Ltd (ASX: AOK) which was listed on the ASX in January 2008 is focused on reworking and development of oil and gas leases in the USA. The company produces oil and gas from leases in Oklahoma and Kansas. Since listing, AusTex has increased its lease interests from 1,000 acres to 69,000 acres.

## Highlights

- **Quarterly Sales Revenue - \$AUD1,378,000**
- **100% increase in Revenue for the Quarter**
- **Cash on Hand - \$5.38 million – Nil Debt**
- **Development continues in Kansas and Oklahoma**
- **Additional acreage acquired on Lancaster and Sweet projects**

## 1. Operations

Gross Revenue from operations for the quarter was \$AUD1,387,202 with net to AOK after royalties to mineral owners and taxes of \$1,010,636. During the three months ending 30 June 2010, cash expended for exploration and project development was \$AUD1,573,000. Cash on hand at end of quarter was \$AUD5,387,000. The company has no debt.



### 1.1. Oklahoma

AusTex Oil Limited owns and operates a number of oil and gas leases in Oklahoma through its wholly owned subsidiary, International Energy Corporation (Oklahoma) (IEC-OK).

#### 1.1.1. Lancaster Lease Group - Tulsa County - 890 acres

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

Development drilling continued on the lease group with the Baggett #33-3, Hollie #2 and the Mayo Moore #6 drilled successfully. The Baggett #33-3 is completed for oil

production in the Wilcox formation. The Hollie #2 and Mayo Moore #6 are completed in the Red Fork formation and production testing had begun at the time of this report.

### Reservoir Management Plan and Scheduled Development

A reservoir management plan is being implemented across the lease group to ensure maximum recovery and life span of oil and gas production from the Red Fork and Tanaha formations. Drilling of production and injection wells is scheduled to continue until the end of calendar year 2010.

Additional protection acreage was leased during the quarter bringing the total lease area to 890 acres. Data from logs and samples from each well is being used to continually develop reservoir modelling and modify development plans for the lease. Current development drilling is spaced at 10 acres.

### Table of Wells and Status

Well Name	Formation	Type	Status
Mayo Moore #1	Red Fork	Oil/Gas	Producing
Mayo Moore #2	Red Fork	Oil/Gas	Producing
Mayo Moore #3	Red Fork	Injector	Operating
Mayo Moore #4	Red Fork	Oil/Gas	Producing
Mayo Moore #5	Red Fork	Oil/Gas	Producing
Mayo Moore #6	Red Fork	Oil/Gas	Producing
Mayo Moore #7	Big Lime	Oil/Gas	Producing
Mayo Moore #8	Red Fork	Injector	Under Completion
Baggett #1-33	Red Fork	Oil/Gas	Producing
Baggett #2-33	Red Fork	Oil/Gas	Producing
Baggett #3-33	Wilcox	Oil	Producing
Baggett #4-33	Red Fork	Oil/Gas	Under Completion
Lancaster #5A	Red Fork	Oil/Gas	Re-completion
Helen Lancaster #1	Red Fork	Oil/Gas	Re-completion
Helen Lancaster #2	Red Fork	Oil/Gas	Re-completion
Hollie #2	Red Fork	Oil/Gas	Producing



Figure 1 Mayo Moore Oil Storage Battery

### 1.1.2. Sweet Lease – Pawnee County – 400 acres

AOK – 100% WI; 82.5% NRI

During the quarter an additional 160 acres was leased as part of the project. Additional development work is scheduled for second half of calendar year 2010.

Well Name	Formation	Type	Status
Sweet #4A	Bartlesville	Oil	Producing
Sweet #5A	Bartlesville	Oil	Producing
Sweet/Freeman #5	Bartlesville	Oil	Producing
J&O #1	Bartlesville	Oil	Producing

## 1.2. Kansas

AusTex Oil Limited holds interests in oil and gas leases located in the State of Kansas through a wholly owned subsidiary International Energy Corporation (Kansas) (IEC-Kansas). The company is the majority working interest partner with Castle Resources Inc., as operator, a private oil and gas operator based near Hays, Kansas.

### 1.2.1. Cooper Project – Sheridan County – 26,500 acres

AOK – 53% Working Interest – 46% Net Revenue Interest

During the quarter development drilling continued on the project with the Clark #3 and Clark #5 wells. The Clark #3 well encountered hydrocarbons in the Toronto and Lansing Kansas City formation, however, upon testing they were deemed to be non commercial.

The Clark #5 Well was drilling June 2010 and intersected hydrocarbons in the Toronto and Lansing-Kansas City formations. At the time of this report the well was under completion in the Toronto formation with testing to commence shortly. Additional development drilling is scheduled for September quarter.



Figure 2 & 3 Clark #1 and Oil Storage Battery - Cooper Project

## 2. Corporate Activity – Rights Issue raises \$5.4m before Costs

On 24 March 2010, AOK announced a fully underwritten non renounceable rights issue to be offered to eligible shareholders. Funds from the rights issue will be used to expedite the development of the Company's oil and gas lease interests in Kansas and Oklahoma. 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.

## 3. Lease Operating Schedule – 30 June 2010

Lease Name	Acreage	WI	NRI	County, State
Lancaster and surrounds	890	100%	81.25%	Tulsa, OK
Sweet	400	100%	84%	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
Cooper Project	26,500	53%	46%	Sheridan, KS
Jewel Project	35,000	30%	21.3%	Jewel and Mitchell, KS
McCracken Project	3,200	50%	42.25%	Rush and Ness, KS
Beltz Project	160	40%	33.8%	Ellis, KS



Figure 3 Location of Oil and Gas Interests held by AusTex Oil Limited

# Appendix 5B

## Mining Exploration entity quarterly report

Name of entity

AUSTEX OIL LTD

ABN

42 118 585 649

Quarter ended ("current quarter")

30-Jun-10

### Consolidated statement of cash flows

#### Cash flows related to operating activities

	Jun quarter \$A'000	Year to date (3 months) \$A'000
1.1 Receipts from product sales and related debtors	1,011	1,011
1.2 Payments for		
(a) exploration and evaluation	(560)	(560)
(b) development	(1,013)	(1,013)
(c) production	(365)	(365)
(d) administration	(472)	(472)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	34	34
1.5 Interest and other costs of finance paid	(1)	(1)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
<b>Net Operating Cash Flows</b>	<b>(1,366)</b>	<b>(1,366)</b>

#### Cash flows related to investing activities

1.8 Payment for purchase of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other non current assets	(296)	(296)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	40	40
(c) other non current assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
<b>Net investing cash flows</b>	<b>(256)</b>	<b>(256)</b>
<b>1.13 Total operating and investing cash flows (carried forward)</b>	<b>(1,622)</b>	<b>(1,622)</b>

# Appendix 5B

## Mining Exploration entity quarterly report

	Jun quarter \$A'000	Year to date (3 months) \$A'000
1.13 <b>Total operating and investing cash flows (brought forward)</b>	(1,622)	(1,622)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, etc.	5,422	5,422
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other - Share Issue Costs	(442)	(442)
<b>Net financing cash flows</b>	4,980	4,980
<b>Net increase (decrease) in cash held</b>	3,358	3,358
1.20 Cash at beginning of quarter/year	2,015	2,015
1.21 Exchange rate adjustments to item 1.20	14	14
1.22 <b>Cash at end of quarter/year</b>	<b>5,387</b>	<b>5,387</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	105
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cashflows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

# Appendix 5B

## Mining Exploration entity quarterly report

### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities - Bank Overdraft	-	-
3.2 Credit standby arrangements	Nil	Nil

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	400
4.2 Development	600
4.3 Production	600
4.4 Administration	500
<b>Total</b>	<b>2,100</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	288	275
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other - Bills and Bank Term Deposits	5,099	1,848
<b>Total: cash at end of quarter (item 1.22)</b>	<b>5,387</b>	<b>2,123</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished reduced or lapsed				
6.2 Interests in mining tenements acquired or increased				

## Appendix 5B

### Mining Exploration entity quarterly report

#### Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid per security (see note 3) (cents)
7.1 Preference securities (description)				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy backs, redemptions				
7.3 Ordinary securities	203,309,998	203,309,998	Fully Paid	Fully Paid
7.4 Changes during quarter (a) Increases through issues (b) Release from escrow (c) Decreases through returns of capital, buy backs	33,884,998	33,884,998	16 cents	Fully Paid
7.5 Convertible debt securities (description)				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options (description and conversion factor)	3,000,000		Exercise Price 25 cents	Expiry Date 31.08.2010
7.8 Issued during quarter	5,000,000 2,500,000 19,442,510		25 cents 25 cents 25 cents	01.12.2011 01.12.2011 01.12.2011
7.9 Exercised during quarter				
7.10 Expired during quarter	750,000		40 cents	31.08.2010
7.12 <b>Unsecured notes</b> (totals only)				

# Appendix 5B

## Mining Exploration entity quarterly report

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act (except to the extent that information is not required because of note 2) or other standards acceptable to ASX (see note 4).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: ..... Date: 28 July 2010  
Director

Print name: Daniel J Lanskey

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** - The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** - ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.