

Quarterly Activities and Cash Flow Report

31 January 2012



AusTex Oil Limited

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Directors

Dr Peter Power (Chairman)

Kwang Hou Hung (Deputy Chairman)

Daniel Lanskey (Managing Director)

Richard Adrey (Executive Director)

Kay Philip (Non-executive Director)

Luis Vierma (Non-executive Director)

For further information please

contact:-

Daniel Lanskey

Managing Director

dan.lanskey@austexoil.com

About AusTex

AusTex Oil Ltd (ASX:AOK, OTCQX:ATXDY) is an Exploration and Production company that is focused on the development of oil and gas leases in the USA. The company produces oil and gas in Oklahoma and Kansas. AOK holds interests in >65,000 acres of oil and gas leases, including acreage in the exciting Mississippi Lime play in Northern Oklahoma.

Highlights



Production success in Mississippi Lime – Northern Oklahoma

- 2 Wells now in Production – additional wells planned
- Unaudited Reserves Estimated at 9.4 million BOE



Additional 8,100 acres leased in Kansas Mississippi Lime area



Production average increases to 215 boe/d - January 2012



Gross Revenue for Quarter of \$US642,750

AusTex Oil Limited (AusTex or the Company) (ASX:AOK OTCQX:ATXDY) is an oil and gas exploration and production company with operations in Kansas and Oklahoma, in the mid-continent of the United States of America.

The Company operates leases in Oklahoma through its wholly owned subsidiary, International Energy Corporation (Oklahoma) (IEC-OK), with offices located at 1801 East 71st Street, Tulsa. In Kansas, AusTex is the major working interest partner with Castle Resources Inc., as operator.

AusTex now holds interests in over >65,000 acres of oil and gas leases and is focusing on development in the Mississippi Lime play in both States.

Company Overview

ASX Code:	AOK
QX International Code: (50:1 ADR)	ATXDY
Closing price 30/12/2011:	\$0.10
Market Capitalisation	\$28m
Cash/Investments on hand:	\$1.1m
Shares outstanding:	280,480,451
Share price range (12 months):	\$0.065-\$0.14

1. Operations

1.1. Oklahoma

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

1.1.1. Northern Oklahoma – Snake River Project - ~6,000 acres *100% Working Interest – ~81% Net Revenue Interest*

The Snake River Project is located in Kay and Noble County, Oklahoma, south west of Ponca City. The area contains multiple, stacked laterally-extensive oil and gas reservoirs at depths of less than 6,000 feet. Large scale development is ongoing in the region by major oil companies including Chesapeake Energy, Range Resources and Sandridge Energy.

Target formations include the Woodford Shale, Mississippi Lime and shallower Pennsylvanian age reservoirs. Current drilling includes both horizontal and vertical wells with Internal Rates of Return of 80% or better being reported by other operators targeting the Mississippi Lime. The Mississippian interval is widespread across Northern Oklahoma and Kansas and has proven to respond well to modern drilling and completion methods. Reported estimated ultimate recovery per horizontal well is between 300,000 and 450,000 barrels of oil equivalent at a cost of ~\$3.0 million per well.

AusTex has commenced vertical well development of the Mississippi Lime formation with 2 wells completed for production. These first wells are part of a planned 10 vertical well program to finalise locations for horizontal development planned for the latter part of calendar year 2012.

During the quarter, the Company completed an internal reserve estimate on the Snake River project. The table below shows these estimates as at December 2011 following the successful completion of the initial 2 producing wells in the Mississippi Lime formation:-

Probability	Northern Oklahoma BOE
P90	2,094,000
P50	9,487,000
P10	15,521,000

Competent Persons Statement

The probabilistic unaudited estimates have been prepared by Dr Peter Power, a Geologist and Non-Executive Chairman of AusTex Oil Limited in accordance with generally accepted engineering and evaluation principles set forth by the Society of Petroleum Engineers (SPE) PRMS guidelines. Dr Power, who has 50 years industry experience has consented to the inclusion of the technical information in this quarterly report in the format that it appears.

East Tonkawa Unit – 907 acres – Kay County*AOK 100% WI ~81% NRI***ETU #15-4 Well**

As reported in the company's Quarterly Report to September 30, 2011, during August, the ETU #15-4 well was successfully deepened to 4,650 feet to test the Mississippi Lime section. The well intersected 326 feet of the Mississippian interval with samples and logs confirming hydrocarbons present. Two stage hydraulic fracture stimulation was completed on the well between 4,504 feet -4,590 feet and 4,395 feet and 4,456 feet. The well is fitted with a rod pump geared to produce 320 barrels of fluid per day and during the 30 day initial testing produced at an average of 37 bopd and 95 mcf of gas per day or 15% of total fluid.

ETU #14-5 Well

As also reported in the company's Quarterly Report to September 30, 2011, the ETU #14-5 well was deepened to 4,650 feet with samples and logs confirming 300 plus feet (gross) of porous, fractured Mississippian strata. During the last quarter, a larger 2 stage frac was completed on this well and an electric submersible pump was fitted for initial testing. During the first 30 days of testing the well produced at an average of 90 boe/d with a peak rate of 106 boe/d during a 24 hour period.

1.2. Kansas

AusTex holds interests in oil and gas leases located in the State of Kansas through a wholly owned subsidiary International Energy Corporation (Kansas) (IEC-Kansas). Oil and gas exploration in the region has moved to an all-time high with development focusing on historically known producing zones and new exploration of possible horizontal targets including lime and shale formations previously not targeted. AusTex continues leasing additional acreage in current areas of interest at very competitive rates.

With the current resurgence in midcontinent oil exploration and development, companies are targeting the three (3) known producing limestone formations using modern drilling, completion and lifting methods. These improved technologies are showing increased recovery rates with very good rates of return on investment.

1.2.1 Cooper Project Area – Sheridan County – ~26,500 acres*AOK 53 - 70% WI – 43.5-56% NRI*

The Cooper Project in North West Kansas is located near the town of Hoxie. A 40 square mile seismic shoot was conducted in 2008-2009. In early 2010, AusTex reported the success of the Clark #1 well wildcat after drilling to test a four-way closure identified by seismic.

A review of seismic data collected on the project has been completed with very encouraging results. The review has identified several high-grade prospects.

An additional 8,100 acres west of the initial project area has been acquired with a 3D seismic shoot on the new acreage to commence this quarter.

1.2.2 Ellsworth Project – Ellsworth County – 3,000 acres*AOK 50% WI – 38 % NRI*

Located in Ellsworth County, Kansas, this project is within a prolific oil producing area with renewed development targeting deeper porosity breaks in the Arbuckle Formation. Production in the area has been predominantly from the

first porosity break in the Arbuckle. Recent drilling activity is focusing on deeper breaks within the limestone with up to 5 different sections being identified as potential oil bearing zones.

The Mollhagen #8 well was drilled successfully to TD at 3,309 feet and logs and samples confirmed the presence of producible hydrocarbons over two intervals in the Arbuckle Limestone between 3,175 feet and 3,237 feet.

The well has been completed for production testing and is awaiting the final installation of surface facilities. Testing is expected to commence this quarter.

Additional drill locations have been identified within the lease area with drilling to be scheduled later this calendar year.

2. Production and Revenue

Gross Revenue from operations for the quarter was \$632,120 (\$US642,750) with net to AusTex of \$467,560 (\$US475,425). During the three months ending 31 December 2011, cash expended for exploration and project development was \$895,000. Cash and short term investments on hand at end of quarter were \$1,172,848. Production for the first weeks of January 2012 had increased to an average of 215 boe/day as a result of the completion of the two Mississippi Lime wells on the East Tonkawa Unit in Northern Oklahoma.

Month	Total Production BOE	Average Daily Production
October	3,537	114
November	3,459	115
December	4,180	135

3. Corporate Activity

Rotation of Auditor

During December 2011, the Company advised the appointment of Sydney based, Hayes Knight, Accountants and Business Advisors, as auditors of the Company until the next Annual General Meeting. This change was made in accordance with the rotation requirements provided for in the Corporations Act 2001.

Change of Financial Year

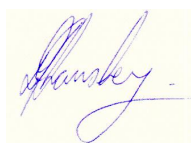
After the end of the quarter, the Company announced a change to its balance date to coincide with the calendar year and to bring it into line with its four wholly owned subsidiaries within the United States. The change to AusTex's financial year will bring about reporting synergies and cost benefits enabling the Group to meet its reporting obligations in both countries in a timely and cost efficient manner.

For the purposes of clarity AusTex's previous financial year under the change will be for a shorter period being 9 months from 1 April 2011 to 31 December 2011 (2011 Year). The current financial year will be from 1 January 2012 to 31 December 2012 (2012 Year) with all future financial years coinciding with the calendar year. Pursuant to the change AusTex will now hold its Annual General Meeting for the 2011 Year on or before 31 May 2012.

4. Lease Operating Schedule – 31 December 2011

Lease Name	Acreage	WI	NRI	County, State
Snake River	~6,000	100%	~81%	Kay County, OK
Lancaster and surrounds	~1,000	100%	~81%	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	53-70%	43.5-56%	Sheridan, KS
Jewel Project	35,000	30%	21.3%	Jewel and Mitchell, KS
Beltz Project	160	40%	33.8%	Ellis, KS
Ellsworth Project	3,000	50%	38%	Ellsworth, KS

For and on behalf of
AusTex Oil Limited



Daniel Lanskey
Managing Director

Appendix 5B

Mining Exploration entity quarterly report

Name of entity

AUSTEX OIL LTD

ABN

42 118 585 649

Quarter ended ("current quarter")

31-December-2011

Consolidated statement of cash flows

Cash flows related to operating activities

	Dec quarter \$A'000	Year to date (9 months) \$A'000
1.1 Receipts from product sales and related debtors	467	1,521
1.2 Payments for		
(a) exploration and evaluation	(146)	(664)
(b) development	(749)	(2,339)
(c) production	(396)	(1,141)
(d) administration	(711)	(2,139)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	11
1.5 Interest and other costs of finance paid	(7)	(14)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(1,541)	(4,765)

Cash flows related to investing activities

1.8 Payment for purchase of:		
(a) prospects	(327)	(824)
(b) equity investments:	-	(1,095)
(c) other non current assets	(95)	(251)
1.9 Proceeds from sale of:	-	-
(a) prospects	-	-
(b) equity investments	26	26
(c) other non current assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other - Security Deposits	(2)	(80)
- Promissory Note written-off	(270)	(270)
Net investing cash flows	(668)	(2,494)
1.13 Total operating and investing cash flows (carried forward)	(2,209)	(7,259)

Appendix 5B

Mining Exploration entity quarterly report

	Dec quarter \$A'000	Year to date (9 months) \$A'000
1.13 Total operating and investing cash flows (brought forward)	(2,209)	(7,259)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	-	-
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from the issue of shares	-	5,481
1.17 Repayment of borrowings	(35)	(115)
1.18 Dividends paid	-	-
1.19 Other - Financing costs	-	(152)
Net financing cash flows	(35)	5,214
Net increase (decrease) in cash held	(2,244)	(2,045)
1.20 Cash at beginning of quarter/year	2,981	2,568
1.21 Exchange rate adjustments to item 1.20	(99)	115
1.22 Cash at end of quarter/year	638	638

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	214
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.

3.1 Loan facilities - Convertible Notes

3.2 Credit standby arrangements

Amount available \$A'000	Amount used \$A'000
Nil	Nil
Nil	Nil

Estimated cash outflows for next quarter

4.1 Exploration and evaluation

4.2 Development

4.3 Production

4.4 Administration

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	750
4.3 Production	500
4.4 Administration	500
Total	1,900

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.

5.1 Cash on hand and at bank

5.2 Deposits at call

5.3 Bank overdraft

5.4 Other - Bills and Bank Term Deposits

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	207	154
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other - Bills and Bank Term Deposits	431	2,827
Total: cash at end of quarter (item 1.22)	638	2,981

Changes in interests in mining tenements

6.1 Interests in mining tenements relinquished reduced or lapsed

6.2 Interests in mining tenements acquired

Tenement reference	Nature of interest ((note (2))	Interest at beginning of quarter	Interest at end of quarter

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	280,480,451	280,480,451	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				
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)			Exercise Price	Expiry Date
	2,500,000		25 cents	31.03.2012
	3,000,000		40 cents	30.06.2013
	27,272,726		15 cents	29.07.2014
	12,500,000		15 cents	31.08.2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter		21,942,510	25 cents	01.12.2011
	5,000,000		25 cents	01.12.2011
7.12 Unsecured notes (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: 31 January 2012
Director

Print name: Dan 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.