

Quarterly Activities and Cash Flow Report

29 January 2010



AusTex Oil Limited

A.C.N. 118 585 649

Level 56, MLC Centre

19-29 Martin Place

Sydney NSW 2000

Telephone +61 2 9238 2363

Fax +61 2 8088 7280

Website

www.austexoil.com

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:-

Daniel Lanskey

Managing Director

dan.lanskey@austexoil.com

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

- Revenue increase of 100% quarter on quarter
- Oil and gas production now exceeds 200 bopd and 400mcf/d
- New Oil Discovery – Cooper Project – Kansas
- Development of Lancaster Lease Group continues – Oklahoma

1. Operations

Revenue from operations for the quarter was A\$356,000 net to AOK after royalties and taxes. During the three months ending 30 September 2009, cash expended for exploration and project development was \$2,001,000.

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). Field operations during the quarter focused on the Lancaster Lease Group, Tulsa County.

1.1.1. Lancaster Lease Group - 650 acres

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

Phase II of development drilling commenced in the 3rd week of September 2009. As at 31 December, 8 wells had been successfully drilled and 4 wells were completed for oil and gas production. Logs and samples have identified multiple hydrocarbon zones. The Baggett #1 and #2 wells are waiting final electrical and flow line connections before being put into production. The Lancaster #5A and Mayo Moore #3 wells are being completed as injection wells as part of the reservoir management plan.

Drilling on the east side of the lease group on the 160 acre Mayo Moore Lease, has encountered reservoirs at virgin pressures with free oil flowing to surface by gas expansion drive in the Red Fork and Tanaha Formations. Engineering staff are modifying the development plan using best reservoir management practice to conserve reservoir energy and ensure maximum productive life of the wells. The objective is to optimise production levels as well as ultimate recovery. As a result flush production rates have been choked back until a gas stripping plant and water and gas injection facilities are in place.

A number of proposals for a gas stripping plant have been received and AOK Management expects to make a final decision in the coming weeks. It is planned to lease the equipment required with a monthly investment of no more than \$US5000 per month. Initial modelling indicates that for each 280 thousand cubic feet of gas treated 10 to 15 barrels of natural gas liquids could be extracted, depending upon configuration, pressures and temperatures. Treated gas would then be re-injected into the reservoir, or sold.

At the time of this report production from the Lease was being capped at 90 bopd and 420 mcf/d.

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). The company is the major 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

A review of seismic data using well log information was completed in Kansas during November 2009. As a result of re-calibration, new mapping was finalised by the consulting geophysicist. The Clark #1 well reached total depth of 4128 feet in the second week of December. Two formations, the Lansing-Kansas City at 3838 feet and the Toronto at 3826 feet were tested for oil production. The Lansing-Kansas City produced 230 bopd and 70 bopd of water during testing and the Toronto produced at over 250 bopd with no discernable water.

At the time of this report the well has been completed for production in the Toronto Formation and is producing at 250 bopd. An application to recomplete an old well south of the Clark as a water disposal well has been lodged. The operator plans to produce from both horizons in the Clark #1 once the water disposal facilities are in place. Permits for an additional three step out wells have been granted. A four way closure was mapped at this location at over 600 acres.

1.2.2. Jewel Project – Mitchell and Jewel Counties – 35,000 acres

AOK – 30% Working Interest – 28.8% Net Revenue Interest

Drilling of the wildcat McKinnie #1 reached total depth of 4,670 feet during the 3rd week of October 2009. Samples and logs confirmed shows of both oil and gas with non-commercial oil quantities present in shallow reservoirs. Gas in the Precambrian formation appears to be in commercial quantities. The well has been plugged without casing and may be re-entered once engineering studies and development plans have been completed.

The logs confirmed the presence of the Heebner, Lansing-Kansas City, Cherokee Mississippi Limestone, Hunton, Viola Limestone, Simpson, Arbuckle Limestone, Reagan and Precambrian formations, which are known oil and gas reservoirs in Kansas. Arrangements are being made to run 2D seismic across an area of 3 miles north and south of the well site to identify if any structural relief is present.

2. Corporate Activity

During the quarter, Aegis Equities Research completed a commissioned Analyst Report for AOK. A copy of the report is available on the Company's website, www.austexoil.com, under "Reports and Announcements", "Analyst Reports" section.

AOK also invested in a site visit for a group of Australian and North American brokers and analysts, who visited Tulsa during November 2009. This caused a one-off increase in administration expenses incurred during the quarter.

During October, a placement of 3,200,000 fully paid ordinary shares raising \$320,000 was finalised with parties associated with Novus Capital Limited.

3. Lease Operating Schedule – 31 December 2009

Lease Name	Acreage	WI	NRI	County, State
Lancaster and surrounds	650	100%	81.25%	Tulsa, OK
Sweet	240	100%	82.5%	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%	43%	Sheridan, KS
Jewel Project	35,000	30%	28.8%	Jewel and Mitchell, KS
McCracken Project	3,200	50%	42.25%	Ness, KS
Beltz Project	160	40%	33.8%	Ellis, KS



Figure 1 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")

31 December 2009

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	356	683
1.2 Payments for		
(a) exploration and evaluation	(1,037)	(1,522)
(b) development	(964)	(1,994)
(c) production	(185)	(433)
(d) administration	(754)	(1,957)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	40	75
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	-
Net Operating Cash Flows	(2,544)	(5,148)

Cash flows related to investing activities

1.8 Payment for purchase of:		
(a) prospects	-	(40)
(b) equity investments	-	-
(c) other non current assets	(284)	(575)
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other non current assets	-	-
1.10 Loans to other entities	-	(23)
1.11 Loans repaid by other entities	-	-
1.12 Other (provide details if material)	-	-
Net investing cash flows	(284)	(638)
1.13 Total operating and investing cash flows (carried forward)	(2,828)	(5,786)

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)	(2,828)	(5,786)
Cash flows related to financing activities		
1.14 Proceeds from issues of shares, options, etc.	359	4,412
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	(21)	(125)
Net financing cash flows	338	4,287
Net increase (decrease) in cash held	(2,490)	(1,499)
1.20 Cash at beginning of quarter/year	6,100	5,260
1.21 Exchange rate adjustments to item 1.20	(13)	(164)
1.22 Cash at end of quarter/year	3,597	3,597

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	25
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

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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

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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

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Appendix 5B

Mining Exploration entity quarterly report

Financing facilities available

Add notes as necessary for an understanding of the position.

3.1 Loan facilities - Bank Overdraft

3.2 Credit standby arrangements

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

Estimated cash outflows for next quarter

4.1 Exploration and evaluation

4.2 Development

	\$A'000
4.1 Exploration and evaluation	500
4.2 Development	600
Total	1,100

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	347	3,575
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other - Bills and Bank Term Deposits	3,250	2,525
Total: cash at end of quarter (item 1.22)	3,597	6,100

Changes in interests in mining tenements

6.1 Interests in mining
tenements relinquished
reduced or lapsed

6.2 Interests in mining
tenements acquired
or increased

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	169,425,000	130,337,500	Fully Paid	Fully Paid
7.4 Changes during quarter				
(a) Increases through issues	3,200,000	3,200,000	10 cents	Fully Paid
(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)	750,000	-	Exercise Price 40 cents	Expiry Date 30.6.2010 escrowed to 08.01.2010
	3,000,000	-	25 cents	31.8.2010
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
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:
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.