



1 December 2014

**Onshore assets
California**

- **CONVENTIONAL Oil & Gas**
- Extensive portfolio of exploration and appraisal stage projects
- Exposure to huge local demand for gas
- LNG export potential

Capital Structure

Shares on issue: 92.3 Million

52 week high: 0.210c
52 week low: 0.076c

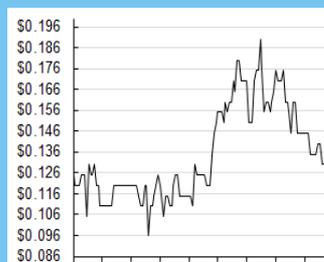
Directors

Andrew Childs
(Chairman)

Gary Jeffery
(Managing Director)

Keith Martens
(Technical Director)

David McArthur
(Company Secretary)



Six month share closing price chart

AOC to pursue development of USA LNG Project

- **LNG project sites identified – negotiations advancing**
- **AOC has incorporated Cal LNG as vehicle for project development**
- **Cal LNG is a joint venture between Australian Oil Company (ASX:AOC), Xstate Resources (ASX:XST) and private Asia-focused oil producer Blue Sky E&P Holdings Ltd**
- **Limited LNG projects on West Coast USA with access to growing Asian markets**
- **AOC’s first priority remains the development of Dempsey and Alvares**

Sacramento Basin focused oil and gas company Australian Oil Company Limited (ASX: AOC) (“AOC” or “the Company”) is pleased to announce the formation of Cal LNG LLC (“Cal LNG”), a joint venture company which is pursuing the development of an LNG export and domestic supply facility on the west coast of the USA. Project sites have been identified and negotiations for Cal LNG to secure a site are progressing.

Cal LNG has been incorporated in the United States and is a joint venture between AOC (42%), Xstate Resources Limited (18%) and private oil and gas company Blue Sky E&P Holdings Ltd (40%). Blue Sky is an Indonesian-focused offshore oil producer working with Indonesian state-owned oil company, Pertamina and producing over 2,000 BOPD.

Whilst AOC’s immediate priority is to progress the exploration and development of its Alvares and Dempsey prospects, it will concurrently advance the development of Cal LNG.

AOC’s Managing Director Gary Jeffery commented: “The formation of Cal LNG adds another growth platform for AOC in California and we are committed to building a multi-tier energy business focused on this market. Further strengthening our view is the fact that there are limited LNG export facilities on the West Coast of the United States and we intend to capitalise on this.

The sites we have identified are situated in locations that give us flexibility to pursue LNG export opportunities and growing US LNG transport markets.

The involvement of Blue Sky in the joint venture is a strong vote of confidence for AOC, as they are a successful oil production company and understand the technical and regulatory issues associated with taking a project into development. They have been very involved in the Cal LNG strategy to date and they bring significant expertise to the Joint Venture.”

Mr Jeffery said AOC was in advanced discussions with a number of potential parties regarding farm-out arrangements for the Dempsey and Alvares prospects and expects to be in a position to update shareholders on the outcome of these negotiations in coming weeks.

“It is important to stress that advancing Dempsey and Alvares is our first and immediate priority, and the formation of Cal LNG will not distract us from this. Our priority is to secure agreements on terms that are favourable to our shareholders, increase the value of our assets, and deliver sufficient funding while maintaining our conservative capital structure”.

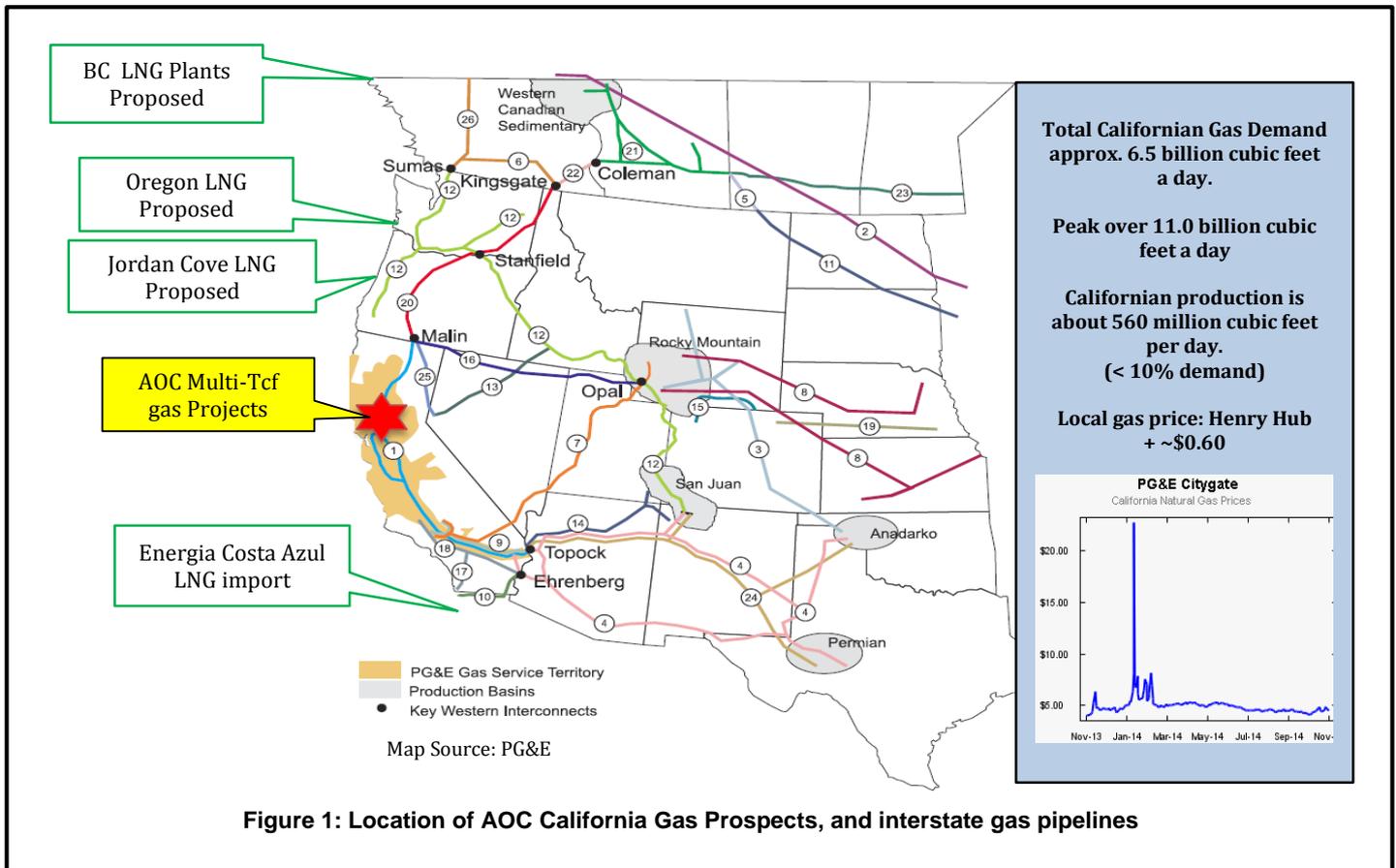


Figure 1: Location of AOC California Gas Prospects, and interstate gas pipelines

For and on behalf of the Board of Australian Oil Company Limited

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Australian Oil Company Background

ASX-listed Australian Oil Company Limited is an Australian-based energy company focused on conventional oil and gas exploration onshore California. AOC has an extensive portfolio of oil and gas prospects at both the exploration and appraisal stages, including a number of multi-Tcf opportunities in the onshore Sacramento Basin. The Company is targeting gas supply to the local Californian gas market and burgeoning LNG market on the west coast of North America.