



30 January 2015

Australian Oil Company Limited
ASX: AOC

**Onshore assets
Sacramento Basin,
California**

- Conventional oil & gas
- Portfolio of exploration and appraisal stage projects
- Exposure to huge local demand for gas
- LNG export potential

Corporate Structure

Shares on issue: 92.5 M
Market Cap: \$7.6 M
52 week high: 21 cents
52 week low: 8 cents

Directors

Andrew Childs
(Chairman)

Gary Jeffery
(Managing Director)

Keith Martens
(Technical Director)

David McArthur
(Company Secretary)



**AOC 6 month Share Price Chart
Compared with ASX Energy Index**

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DECEMBER 2014 QUARTERLY ACTIVITY REPORT

Summary:

- **Geological and Geophysical information reinforces interpreted multi-Tcf conventional gas production potential under AOC Sacramento Basin leases**
- **Targeting gas supply to 2.5 Tcf per year Californian domestic gas market and growing North American export LNG markets**
- **AOC's development plans for large-scale conventional gas projects in Sacramento Basin remain largely unaffected by fall in oil prices**
- **Focused on farming out, multi-Tcf conventional gas production opportunities under prolific Sacramento Gas Basin, onshore California**
- **Discussions progressing well with potential funding partners for drilling of Dempsey and Alvares prospects**
- **Cal LNG joint venture announced - LNG project sites identified**

Californian-focused oil and gas developer Australian Oil Company Limited (ASX: AOC) ("the Company") provides shareholders with its quarterly activity report for the period ended 31 December 2014.

During the quarter, AOC continued to advance discussions with potential funding partners who have expressed strong interest in participating in the development of the Dempsey and Alvares prospects. The Dempsey and Alvares prospects have gross unrisked best estimate recoverable prospective resources of 1 TCF and 2.4 TCF respectively.

Importantly, AOC's prospects are located close to under-filled gas trunklines that connect to the local Californian gas market and to 13 planned LNG export terminals on the West Coast of the USA and Canada.

Large gas resources can be produced with very attractive economic return at gas prices significantly below US\$3 per mcf. Current gas prices in the 2.5 Tcf / year California gas market are around US\$3.20 / mcf.

In addition, AOC also announced 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.



SACRAMENTO BASIN - Onshore Northern California

EXPLORATION, APPRAISAL AND NEW VENTURES

Exploration leases have continued to be acquired, and renewed within the Sacramento Basin during the quarter. AOC has a working interest (WI) between 40% and 70% in these leased lands which cover conventional gas prospects.

The Company has reprocessed a large amount of the 2D seismic data previously acquired in the Alvares and Dempsey prospect areas. This improved technical data has been used to identify additional priority prospects for exploration drilling.

Additional technical information acquired during the quarter related to both Alvares and Dempsey has reinforced AOC's interpretation of the presence of multi-Tcf sandstone-reservoir structures, underlying established producing assets in the Sacramento Basin which has produced 11 Tcf gas to date from fields individually as large as 3.5 Tcf in size.

Mapping completed to date under the Company's leases has resulted in the identification of a portfolio of additional gas prospects, with best estimate recoverable prospective resources of gas ranging from 50 Bcf to over 2 Tcf.

Oil and gas leases have been acquired over a selection of these additional prospects and leasing activities continue.

Dempsey gas prospect – Exploration stage (AOC 55% WI)

AOC has commenced permitting to drill the conventional Dempsey gas prospect which is located below existing AOC production facilities. The Dempsey 1 exploration well is to be located within a gas unit from which gas is currently being produced and sold.

The Dempsey prospect has a Proposed Total Depth ('PTD') of 3,200 metres and is anticipated to take around 50-60 days to drill with costs estimated to be between US\$4.5 and US\$5.5 million.

The total (100%) unrisks recoverable prospective resource on a best estimate deterministic basis in the Dempsey prospect is over 1 Tcf (i.e. over 167 million barrels of oil equivalent (boe) – using an industry standard energy based conversion factor of 6 mcf per boe).

The Dempsey 1 well will be located within proven gas field area with existing infrastructure easily accessible. Should commercial quantities of gas be found, existing production facilities, which are connected to the interstate pipeline networks, would be used to sell the gas with minimum delay.

AOC is aiming to farmout and commence drilling at the Dempsey prospect in 2015.

Alvares gas prospect – Appraisal stage (AOC 40% WI)

The Alvares gas prospect is located close to large natural gas pipelines and is on trend 35 miles from the structurally similar multi-Tcf Tulainyo Project (based on the James well drilled in 1947), mapped by Cirque Resources and involving California Resources Corporation, (a NYSE listed spin-off, on 1 December 2014, from Occidental Petroleum Corporation (OXY)), California's largest oil and gas company. AOC understands that drilling operations at the Tulainyo project have commenced, however no further information has been made public. Information required by the regulator on the drilling has been classified as confidential.

Information from the Tulainyo well would also have significance for the Dempsey Prospect as the shallow reservoirs in the James 1 well are interpreted to be of similar age to those targeted by Dempsey drilling.

The Alvares prospect contains a total (100%) unrisks recoverable prospective conventional gas resource on a best estimate deterministic basis of approximately 2.4 Tcf (400 million boe).

AOC is currently progressing discussions with a number of potential funding partners regarding the drilling of the Alvares prospect which is planned for 2015.

PRODUCTION UPDATE

Rancho - Capay Gas Field (AOC 55% WI in 5 wells) & Los Medanos Gas Field (AOC 55% WI in 2 wells)

AOC acquired a 40% working interest in gas production rights in the above fields in the Sacramento Basin onshore California in late 2012 primarily as a means to acquire leases for further exploration and access an extensive 3D seismic database to generate new exploration opportunities. AOC acquired an additional 15% WI in these wells effective 1 January 2014.

Production	December 2014 Quarter	September 2014 Quarter
Gross mcf * (100%)	55,348	35,400
Net AOC mcf (after Royalty)	20,743	13,282

**mcf – Thousand Cubic feet gas*



AOC's oil and gas assets, onshore California



SANTA MARIA BASIN (HUASNA SUB-BASIN) - Onshore Southern California

EXPLORATION

Porter Ranch oil project (AOC 45% WI)

The Porter Ranch Project in San Luis Obispo County consists of some 9,050 acres leased over a number of surface anticlines in the prospect area.

The permitting process continued in preparation for the drilling of one exploration well with a planned total depth of 1,500 metres to test the Monterey oil reservoirs in 2015. The prospect has best estimate recoverable prospective resources of approximately 10 million barrels of oil. This estimate is based on surface geology, 2D seismic and geologic and production parameters from nearby wells and comparisons to analogous fields in the Santa Maria Basin.

The County is evaluating the application to drill an exploration well on the Porter Ranch leases.

SAN JOAQUIN BASIN - Onshore Southern California

FACILITY DEVELOPMENT

SCU #1-24 Water-Disposal Well (AOC 32.81% WI)

Activities to licence use of the well SCU #1-24 as a commercial water injection well were further advanced during the December quarter. Activities to better assess the injection capacity of the well are planned for February 2015.

SANTA MARIA BASIN (HUASNA SUB-BASIN) - Onshore Southern California

APPRAISAL / DEVELOPMENT STAGE

Mankins Ranch oil field project (AOC 35% WI)

AOC is reviewing its options related to the Mankins Project.

Cal LNG LLC – LNG Production and Export Project (AOC 42% WI)

In early December 2014 AOC announced the formation of Cal LNG LLC, a joint venture company which is pursuing the development of an LNG export and domestic supply facility on the West Coast of the USA.

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.

The development of the Dempsey and Alvares gas prospects will remain a core focus for AOC as it works to realise the significant potential of these assets. Through the formation of Cal LNG, AOC will concurrently advance the development the proposed LNG facility.



Project sites have been identified and negotiations for Cal LNG to secure a site are progressing. The sites that are under consideration are situated in locations that give Cal LNG flexibility to leverage off LNG export opportunities and growing US LNG transport markets.

CORPORATE ACTIVITY

During the December quarter, AOC actively progressed discussions with a number of potential funding partners in North America, who have expressed interest in participating in the development of Alvares and Dempsey. AOC will update shareholders on funding agreements in due course.

ISSUED CAPITAL at 27 January 2015

Ordinary Shares	92,501,654
Unlisted Options exercisable @ 25 cents 31 Dec 2015	11,500,000
Unlisted Options exercisable @ 25 cents 31 Dec 2016	500,000

Note: On 25 July 2014 shareholders approved the issuing of AOC ordinary shares in lieu of director and consulting fees. A total of 190,397 ordinary shares were issued in January 2015 in lieu of director and consulting fees for the December 2014 quarter.

AOC Managing Director Gary Jeffery commented,

“During the December quarter the team continued to work diligently towards the commencement of drilling at our Dempsey, Alvares and Porter Ranch prospects.

Furthermore, we have been actively progressing discussions with potential funding partners who have indicated a genuine interest in the development of Dempsey and Alvares. In the short term, we will continue to progress these discussions and will provide further updates to shareholders when appropriate.

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 growing 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 through Cal LNG.

AOC is confident that the growth potential attached to the Company’s large-scale conventional gas prospects and multi -Tcf production potential in the Sacramento Basin remains largely unaffected by the recent fall in global oil prices.

It is imperative for existing and potential shareholders to understand that AOC is a conventional gas explorer and producer using lower cost vertical wells. Its growth model is not dependent on debt funding, nor expensive leases over massive resource play areas, nor are production profiles expected to be as volatile as unconventional wells.



AUSTRALIAN OIL COMPANY

AOC has a diverse portfolio of technically and commercially robust multi-Tcf, conventional gas prospects, located in an under-drilled onshore basin with a strong gas market.

We look forward to keeping our shareholders updated on funding agreements and development plans for both our Sacramento Basin prospects and Cal LNG respectively.”

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

Gary Jeffery
Managing Director
+61 8 9226 0866

Sam Burns
Six Degrees Investor Relations
+61 400 164 067

Australian Oil Company Background

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

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Leases:

US exploration is conducted on leases grant by Mineral Right owners, in AOC’s case primarily private individuals or groups. Leases can vary in size from very small parcels (part of an acre) to large landholdings (covering a few square miles). Leases generally are for 5 years and rentals are paid annually. There are no work commitments associated with the leases. Some leases are ‘Held By Production’ and royalties, generally less than 20% of revenues, are paid to mineral right owners in lieu of rentals. AOC has not listed all it leases as it is impractical and not meaningful for potential project value assessment in a conventional gas play. A detailed listing of leases may also lead to a loss of competitive advantage and consequent reduced value to AOC shareholders.

Competent Persons

This document contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Gary Jeffery, Managing Director of Australian Oil Company Limited. He is a qualified geophysicist with over 40 years technical, commercial and management experience in exploration for, appraisal and development, and transportation of oil and gas. Mr Jeffery consents to the inclusion of the information in the form and context in which it appears.



AUSTRALIAN OIL COMPANY

In accordance with ASX Listing Rules, any new hydrocarbon resource information in this document has been reviewed by Australian Oil Company's Technical Director, Mr Keith Martens, who has over 35 years of experience in the sector, with 15 years of experience in working in North America. Mr Martens is a qualified resources evaluator and consents to that information being included in the form and context in which it appears. Past ASX releases contain the basis for the resource estimates in this report.

Before investing it is recommended that you conduct your own due diligence and consult financial and technical advisors.

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/01, 01/06/10, 17/12/10

Name of entity

AUSTRALIAN OIL COMPANY LIMITED

ABN

83 114 061 433

Quarter ended ("current quarter")

31 DECEMBER 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(111)	(488)
(b) development	-	-
(c) production	-	-
(d) administration	(228)	(305)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received / (paid)	(2)	(2)
1.7 Other -	-	-
Net Operating Cash Flows	(341)	(794)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(2)	(267)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	(23)	(23)
1.11 Loans repaid by other entities	-	-
1.12 Other -	-	-
Net investing cash flows	(25)	(290)
1.13 Total operating and investing cash flows (carried forward)	(366)	(1,087)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(366)	(1,087)
	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 borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	(2)	(3)
	Net financing cash flows	(2)	(3)
	Net increase (decrease) in cash held	(368)	(1,087)
1.20	Cash at beginning of quarter/year to date	489	1,200
1.21	Exchange rate adjustments to item 1.20	(2)	6
1.22	Cash at end of quarter	*119	119

* In addition to cash on hand an amount of approximately A\$100,000 is held in a US joint venture account for the payment of future cash calls.

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	39
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 - Includes salaries and fees paid to directors.

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 cash flows

196,918 fully paid ordinary shares at 17 cents each were issued to directors of the company in lieu of director fees

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

None

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	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	94
Total	94

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	119	489
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	*119	489

* In addition to cash on hand an amount of approximately A\$100,000 is held in a US joint venture account for the payment of future cash calls.

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			

+ See chapter 19 for defined terms.

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 up per security (see note 3) (cents)
7.1 Preference *securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 *Ordinary securities **	92,311,257	92,311,257	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	196,918	196,918	17 cents	17 cents
7.5 *Convertible debt securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options <i>(description and conversion factor)</i>	11,500,000 500,000	- -	<i>Exercise price</i> 25 cents 25 cents	<i>Expiry date</i> 31 December 2015 31 December 2016
7.8 Issued during quarter	500,000-	-	25 cents	31 December 2016
7.9 Exercised during quarter	N/A	N/A	N/A	N/A
7.10 Expired during quarter	6,000,000 10,500,000	- -	25 cents 25 cents	31 December 2014 31 December 2014
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:  Date: 30 January 2015
Company Secretary

Print name: David M McArthur

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 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting 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.

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