Australian Oil Company Limited

ABN 83 114 061 433
OCTO Building, Level 2, Unit 14, 210 Bagot Road, Subiaco WA 6008
PO Box 805, Subiaco, WA 6904
T +61 8 9388 2654 E info@australianoilcompany.com

28 April 2015

ASX Limited

Electronic lodgement

ASX Code: AOC

DISPATCH OF 31 DECEMBER 2014 ANNUAL REPORT AND NOTICE OF AGM

Attached is copy of the Annual Report for the six months ended 31 December 2014, together with the Notice of Annual General Meeting, Proxy Form and Explanatory Memorandum which have been dispatched to shareholders.

A copy of the Annual Report and Notice of Annual General Meeting will also be available on our website www.australianoilcompany.com

On behalf of the Board of Directors

Australian Oil Company Limited

AUSTRALIAN OIL COMPANY LIMITED

ACN 114 061 433

NOTICE OF ANNUAL GENERAL MEETING

PROXY FORM

AND

EXPLANATORY MEMORANDUM

Date of Meeting

Wednesday 27 May 2015

Time of Meeting

10.00 am (WST)

Place of Meeting

Level 2, 55 Carrington Street
Nedlands, Western Australia

AUSTRALIAN OIL COMPANY LIMITED

ACN 114 061 433

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of shareholders of Australian Oil Company Limited ("**Company**") will be held at 10.00 am (WST) on Wednesday 27 May 2015 at Level 2, 55 Carrington Street, Nedlands, Western Australia.

In order to determine voting entitlements, the register of Shareholders will be closed at 5.00pm (Sydney time) on Tuesday 26 May 2015.

An Explanatory Memorandum containing information in relation to each of the Resolutions to be put to the meeting accompanies this Notice.

AGENDA

To consider and, if thought fit, to pass the following Resolutions.

ORDINARY BUSINESS

2014 Accounts

To receive and consider the financial report, the Directors' report and the auditor's report for the six months ended 31 December 2014 and the Directors' declaration on the accounts.

Non-binding Ordinary Resolution 1: Directors' Remuneration Report

To receive and consider the Directors' Remuneration Report for the 6 months ended 31 December 2014 and, if thought fit, to pass, with or without amendment, the following Resolution as a non-binding Resolution:

"*That, pursuant to and in accordance with section 250R(2) of the Corporations Act, the Directors' Remuneration Report contained within the Directors' report for the 6 months ended 31 December 2014 be adopted*."

Note 1: the vote on this Resolution is advisory only and does not bind the Directors of the Company.

Note 2: If 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must stand for re-election.

Voting Prohibition Statement:

A vote on this Resolution 1 must not be cast (in any capacity) by or on behalf of any of the following persons:

(a) a member of the Key Management Personnel, details of whose remuneration are included in the Remuneration Report; or

(b) a Closely Related Party of such a member,

(collectively, a "**Prohibited Voter**").

However, a Prohibited Voter may cast a vote on this Resolution 1 as a proxy if the vote is not cast on behalf of a person described above and either:

(c) the Prohibited Voter is appointed as a proxy by writing that specifies the way the proxy is to vote on the Resolution; or

(d) the Prohibited Voter is the Chair and the appointment of the Chair as proxy:

(i) does not specify the way the proxy is to vote on this Resolution; and

(ii) expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with the remuneration of a member of the Key Management Personnel for the Company, or if the Company is part of a consolidated entity, for the entity.

Ordinary Resolution 2: Re-election of Director - Mr Andrew Childs

To consider, and if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

"That Mr Andrew Childs, who retires by rotation in accordance with the Company's constitution, and being eligible be re-elected as a Director."

Special Resolution 3: Approval of 10% Placement Capacity

To consider and, if thought fit, to pass, with or without amendment, the following resolution as a **special resolution**:

> *"That, for the purpose of Listing Rule 7.1A and for all other purposes, approval is given for the issue of Equity Securities totalling up to 10% of the issued capital of the Company at the time of issue, calculated in accordance with the formula prescribed in Listing Rule 7.1A.2 and on the terms and conditions set out in the Explanatory Statement."*

Voting Exclusion: The Company will disregard any votes cast on this Resolution by any person who may participate in the issue of Equity Securities under this Resolution and a person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed and any associates of those persons. However, the Company will not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

Important note: The proposed allottees of any Equity Securities under the 10% Placement Capacity are not as yet known or identified. In these circumstances (and in accordance with the note set out in ASX Listing Rule 14.11.1 relating to ASX Listing Rules 7.1 and 7.1A), for a person's vote to be excluded, it must be known that that person will participate in the proposed issue. Where it is not known who will participate in the proposed issue (as is the case in respect of any Equity Securities issued under the 10% Placement Capacity), Shareholders must consider the proposal on the basis that they may or may not get a benefit and that it is possible that their holding will be diluted, and there is no reason to exclude their votes.

Ordinary Resolution 4: Approval of Issue of Shares to Director under Incentive Share Plan - Mr Gary Jeffery

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

> *"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue Plan Shares to Mr Gary Jeffery or his nominee pursuant to the Company's Incentive Share Plan, on terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a Director of the Company (except one who is ineligible to participate in any incentive scheme of the Company) and any associate of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement: *A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:*

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair of the Meeting; and

(d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Ordinary Resolution 5: Approval of Issue of Shares to Director under Incentive Share Plan - Mr Keith Martens

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

> *"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue Plan Shares to Mr Keith Martens or his nominee pursuant to the Company's Incentive Share Plan, on terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a director of the Company (except one who is ineligible to participate in any incentive scheme of the Company) and any associate of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement: *A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:*

(a) the proxy is either:

(i) a member of the Key Management Personnel; or

(ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair of the Meeting; and

(d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

Ordinary Resolution 6: Approval of Issue of Shares to Director under Incentive Share Plan - Mr Andrew Childs

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an ordinary resolution:

> *"That, for the purposes of ASX Listing Rule 10.14 and for all other purposes, approval is given for the Directors to issue Plan Shares to Mr Andrew Childs or his nominee pursuant to the Company's Incentive Share Plan, on terms and conditions set out in the Explanatory Statement."*

Voting Exclusion Statement: The Company will disregard any votes cast on this Resolution by a director of the Company (except one who is ineligible to participate in any incentive scheme of the Company) and any associate of that person. However, the Company need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Voting Prohibition Statement: *A person appointed as a proxy must not vote, on the basis of that appointment, on this Resolution if:*

(a) the proxy is either:

  (i) a member of the Key Management Personnel; or

  (ii) a Closely Related Party of such a member; and

(b) the appointment does not specify the way the proxy is to vote on this Resolution.

However, the above prohibition does not apply if:

(c) the proxy is the Chair of the Meeting; and

(d) the appointment expressly authorises the Chair to exercise the proxy even if the Resolution is connected directly or indirectly with remuneration of a member of the Key Management Personnel.

By Order of the Board

D M McARTHUR
Company Secretary
Dated: 10 April 2015

ENTITLEMENT TO ATTEND AND VOTE

The Company may specify a time, not more than 48 hours before the Meeting, at which a "snap-shot" of Shareholders will be taken for the purposes of determining Shareholder entitlements to vote at the Annual General Meeting.

The Company's Directors have determined that all Shares of the Company that are quoted on ASX at 5:00pm (Sydney Time) on Tuesday 26 May 2015 shall, for the purposes of determining voting entitlements at the Annual General Meeting, be taken to be held by the persons registered as holding the Shares at that time.

PROXIES

Please note that:

(a) a member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint a proxy;

(b) a proxy need not be a member of the Company; and

(c) a member of the Company entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise, but where the proportion or number is not specified, each proxy may exercise half of the votes.

The enclosed Proxy Form provides further details on appointing proxies and lodging Proxy Forms.

CORPORATE REPRESENTATIVE

A Shareholder that is a corporation may appoint an individual to act as its corporate representative to vote at the Meeting in accordance with section 250D of the Corporations Act. Any corporation wishing to appoint an individual to act as its representative at the Meeting should provide that person with a certificate or letter executed in accordance with the Corporations Act authorising him or her to act as that company's representative. The authority may be sent to the Company and/or Share Registry in advance of the Meeting or handed in at the Meeting when registering as a corporate representative. A 'Certificate of Appointment of Corporate Representative' is enclosed if required.

ENQUIRIES

Shareholders are invited to contact the Company Secretary, David McArthur on +61 8 9423 3200 if they have any queries in respect of the matters set out in this document.

AUSTRALIAN OIL COMPANY LIMITED

ACN 114 061 433

EXPLANATORY MEMORANDUM

This Explanatory Memorandum is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting ("**Notice**") of the Company.

The Directors of the Company ("**Directors**") recommend Shareholders read this Explanatory Memorandum in full before making any decision in relation to the Resolutions.

The following information should be noted in respect of the various matters contained in the accompanying Notice.

FINANCIAL STATEMENTS AND REPORTS

The business of the Annual General Meeting will include receipt and consideration of the financial report, the Directors' report and the auditor's report for the six months ended 31 December 2014 and the Directors' declaration on the accounts.

A copy of the Company's 31 December 2014 six month report is available on the Company's ASX platform (ASX: AOC) and on the website www.australianoilcompany.com Alternatively, a hard copy will be made available upon request.

There is no requirement for Shareholders to approve the Financial Statements.

The Company's auditor, Ernst and Young, will be present at the Annual General Meeting and Shareholders will have the opportunity to ask the auditor questions in relation to the conduct of the audit, the auditor's report, the Company's accounting policies, and the independence of the auditor.

In addition to taking questions at the Meeting, written questions to the Chair about the management of the Company, or to the Company's auditor about:

(a) the preparation and content of the auditor's report;

(b) the conduct of the audit;

(c) accounting policies adopted by the Company in relation to the preparation of the Financial Statements; and

(d) the independence of the auditor in relation to the conduct of the audit,

may be submitted no later than 5 business days before the meeting date to the Company Secretary.

NON-BINDING ORDINARY RESOLUTION 1: Directors' Remuneration Report

General

The Corporations Act requires that at a listed company's annual general meeting, a resolution that the Remuneration Report be adopted must be put to the Shareholders. However, such a resolution is advisory only and does not bind the Directors or the Company.

The Remuneration Report sets out the Company's remuneration arrangements for the Directors and senior management of the Company. The Remuneration Report is part of the Directors' report contained in the financial report of the Company for the six months ending 31 December 2014.

A reasonable opportunity will be provided for discussion of the Remuneration Report at the Annual General Meeting.

Under the Corporations Act, if 25% or more of votes that are cast are voted against the adoption of the Remuneration Report at two consecutive annual general meetings, Shareholders will be required to vote at the second of those annual general meetings on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's Directors (other than the Managing Director and CEO) must stand for re-election.

The Company's Remuneration Report did not receive a "no" vote of 25% or more at the Company's previous annual general meeting.

Proxy restrictions

Shareholders appointing a proxy for Resolution 1 should note the following:

(a) ***If you appoint a member of the Key Management Personnel (other than the Chair) as your proxy***

If you elect to appoint a member of the Key Management Personnel (other than the Chair) whose remuneration details are included in the Remuneration Report, or a Closely Related Party of that member, ***you must direct the proxy how they are to vote***. Undirected proxies granted to these persons will not be included in any vote on Resolution 1.

(b) ***If you appoint the Chair as your proxy***

If you elect to appoint the Chair as your proxy, you ***do not*** need to direct the Chair how you wish them to exercise your vote on Resolution 1, however it is the Chairman's intention to vote all undirected proxies in favour of the resolution.

(c) ***If you appoint any other person as your proxy***

You ***do not*** need to direct your proxy how to vote, and you ***do not*** need to tick any further acknowledgement on the Proxy Form.

ORDINARY RESOLUTION 2: Re-election of Director – Mr Andrew Childs

The Company's Constitution requires that at every Annual General Meeting of the Company one-third of the Directors (rounded up to the nearest whole number) shall retire from office. The Directors to retire are those who have been longest in office since their last election. A retiring Director is eligible for re-election.

Accordingly, Mr Andrew Childs retires by way of rotation and, being eligible, offers himself for re-election as a Director of the Company.

Information about Mr Childs is set out in the Company's 31 December 2014 Report.

SPECIAL RESOLUTION 3: Approval of 10% Placement Capacity – Shares

General

ASX Listing Rule 7.1A provides that an Eligible Entity may seek Shareholder approval at its annual general meeting to allow it to issue Equity Securities up to 10% of its issued capital over a period up to 12 months after the annual general meeting (**10% Placement Capacity**).

The Company is an Eligible Entity.

If Shareholders approve Resolution 3, the number of Equity Securities the Eligible Entity may issue under the 10% Placement Capacity will be determined in accordance with the formula prescribed in ASX Listing Rule 7.1A.2 (as set out below).

The effect of Resolution 3 will be to allow the Directors to issue Equity Securities up to 10% of the Company's fully paid ordinary securities on issue under the 10% Placement Capacity during the period up to 12 months after the Meeting, without subsequent Shareholder approval and without using the Company's 15% annual placement capacity granted under Listing Rule 7.1.

Resolution 3 is a special resolution. Accordingly, at least 75% of votes cast by Shareholders present and eligible to vote at the Meeting must be in favour of Resolution 3 for it to be passed.

ASX Listing Rule 7.1A

ASX Listing Rule 7.1A came into effect on 1 August 2012 and enables an Eligible Entity to seek shareholder approval at its annual general meeting to issue Equity Securities in addition to those under the Eligible Entity's 15% annual placement capacity.

An Eligible Entity is one that, as at the date of the relevant annual general meeting:

(a) is not included in the S&P/ASX 300 Index; and

(b) has a maximum market capitalisation (excluding restricted securities and securities quoted on a deferred settlement basis) of $300,000,000.

The Company is an Eligible Entity as it is not included in the S&P/ASX 300 Index and has a current market capitalisation of approximately $4.65 million.

Any Equity Securities issued must be in the same class as an existing class of quoted Equity Securities. The Company currently has one class of quoted Equity Securities on issue, being the Shares (ASX Code AOC),

The exact number of Equity Securities that the Company may issue under an approval under Listing Rule 7.1A will be calculated according to the following formula:

$$(A \times B) - C$$

Where:

A is the number of Shares on issue 12 months before the date of issue or agreement:

(i) plus the number of Shares issued in the previous 12 months under an exception in ASX Listing Rule 7.2;

(ii) plus the number of partly paid shares that became fully paid in the previous 12 months;

(iii) plus the number of Shares issued in the previous 12 months with approval of holders of Shares under Listing Rules 7.1 and 7.4; and

(iv) less the number of Shares cancelled in the previous 12 months.

B is 10%.

C is the number of Equity Securities issued or agreed to be issued under ASX Listing Rule 7.1A.2 in the 12 months before the date of issue or agreement to issue that are not issued with the approval of holders of Ordinary Securities under ASX Listing Rule 7.1 or 7.4.

Technical information required by ASX Listing Rule 7.1A

Pursuant to and in accordance with ASX Listing Rule 7.3A, the information below is provided in relation to this Resolution 3:

(a) **Minimum Price**

The minimum price at which the Equity Securities may be issued is 75% of the volume weighted average price of Equity Securities in that class, calculated over the 15 ASX trading days on which trades in that class were recorded immediately before:

(i) the date on which the price at which the Equity Securities are to be issued is agreed; or

(ii) if the Equity Securities are not issued within 5 ASX trading days of the date above, the date on which the Equity Securities are issued.

(b) **Date of Issue**

The Equity Securities may be issued under the 10% Placement Capacity commencing on the date of the Meeting and expiring on the first to occur of the following:

(i) 12 months after the date of this Meeting; and

(ii) the date of approval by Shareholders of any transaction under ASX Listing Rules 11.1.2 (a significant change to the nature or scale of the Company's activities) or 11.2 (disposal of the Company's main undertaking).

(c) **Risk of voting dilution**

Any issue of Equity Securities under the 10% Placement Capacity will dilute the interests of Shareholders who do not receive any Shares under the issue.

If Resolution 3 is approved by Shareholders and the Company issues the maximum number of Equity Securities available under the 10% Placement Capacity, the economic and voting dilution of existing Shares would be as shown in the table below.

The table below shows the dilution of existing Shareholders calculated on the basis of the current market price of Shares and the current number of Equity Securities on issue as at the date of this Notice.

The table also shows the voting dilution impact where the number of Shares on issue (variable A in the formula) changes and the economic dilution where there are changes in the issue price of Shares issued under the 10% Placement Capacity.

Variable "A"		DILUTION $0.025 50% decrease in Issue Price	$0.05 Issue price	$0.10 100% increase in Issue Price
Current Variable A **93,006,039 Shares**	**10% Voting Dilution**	9,300,603 Shares	9,300,603 Shares	9,300,603 Shares
	Funds Raised	$232,515	$465,030	$930,060
50% Increase In Current Variable A **139,509,058 Shares**	**10% Voting Dilution**	13,950,906 Shares	13,959,906 Shares	13,950,906 Shares
	Funds Raised	$348,772	$697,545	$1,395,090
100% Increase In Current Variable A **186,012,078 Shares**	**10% Voting Dilution**	18,601,207 Shares	18,601,207 Shares	18,601,207 Shares
	Funds Raised	$465,030	$930,060	$1,860,120

* The number of Shares on issue (variable A in the formula) could increase as a result of the issue of Shares that do not require Shareholder approval (such as under a pro-rata rights issue or scrip issued under a takeover offer) or that are issued with Shareholder approval under Listing Rule 7.1.

The table above uses the following assumptions:

(a) The current shares on issue are the Shares on issue as at 8 April 2015.

(b) No options are exercised into Shares before the date of issue of the Equity Securities.

(c) The 10% voting dilution reflects the aggregate percentage dilution against the issued share capital at the time of issue. That is why the voting dilution is shown in each example as 10%.

(d) The issue price set out above is the closing price of the Shares on the ASX on 8 April 2015.

(e) The Company issues the maximum possible number of Equity Securities under the 10% Placement Capacity.

(f) The Company has not issued any Equity Securities in the 12 months prior to the Meeting that were not issued under an exception in ASX Listing Rule 7.2 or with approval under ASX Listing Rule 7.1.

(g) The calculations above do not show the dilution that any one particular Shareholder will be subject to. All Shareholders should consider the dilution caused to their own shareholding depending on their specific circumstances.

(h) This table does not set out any dilution pursuant to approvals under ASX Listing Rule 7.1.

Shareholders should note that there is a risk that:

(i) the market price for the Company's Shares may be significantly lower on the issue date than on the date of the Meeting; and

(ii) the Shares may be issued at a price that is at a discount to the market price for those Shares on the date of issue.

(d) **Purpose of Issue under 10% Placement Capacity**

The Company may issue Equity Securities under the 10% Placement Capacity for the following purposes:

(i) as cash consideration in which case the Company may use funds raised for the acquisition of new assets and investments (including expenses associated with such an acquisition), continued exploration expenditure on the Company's current assets and general working capital.

(ii) as non-cash consideration for the acquisition of new assets and investments in which circumstances the Company will provide a valuation of the non-cash consideration as required by Listing Rule 7.1A.3.

(e) **Allocation under the 10% Placement Capacity**

The allottees of the Equity Securities to be issued under the 10% Placement Capacity have not yet been determined. However, the allottees of Equity Securities could consist of current Shareholders or new investors (or both), none of whom will be related parties of the Company.

The Company will determine the allottees at the time of the issue under the 10% Placement Capacity, having regard to the following factors:

(i) the purpose of the issue;

(ii) alternative methods for raising funds available to the Company at that time, including, but not limited to, an entitlement issue or other offer where existing Shareholders may participate;

(iii) the effect of the issue of the Equity Securities on the control of the Company;

(iv) the circumstances of the Company, including, but not limited to, the financial position and solvency of the Company;

(v) prevailing market conditions; and

(vi) advice from corporate, financial and broking advisers (if applicable).

(f) **Previous Approval under ASX Listing Rule 7.1A**

The Company obtained approval under Listing Rule 7.1A on 28 November 2013. The Company has not issued any Equity Securities pursuant to Listing Rule 7.1A in the 12 months preceding the date of the Annual General Meeting.

As the Company has previously sought shareholder approval for the additional placement capacity under Listing Rule 7.1A, the following information is provided in relation to all issues of equity securities in the 12 months prior to the date of the Annual General Meeting, pursuant to the requirements of Listing Rule 7.3A6(a) and 7.3A6(b):

A total of 2,040,201 securities (1,540,201 shares and 500,000 options) have been issued representing 1.8% of the equity securities on issue at the commencement of the 12 month period preceding the date of the Annual General Meeting (113,965,838 securities - comprising 91,465,838 shares and 22,500,000 options).

Date of Issue:	**31/07/2014**
Number issued:	648,504
Class:	Fully paid ordinary
Terms:	Fully paid ordinary shares
Name of applicants:	Directors - per shareholder approval 25 July 2014 (Gary Jeffery- 563,917 and Keith Martens 84,587)
Price:	10.28 cents per share
Discount to market:	10.60%
Value received:	$76,667
Intended use of cash:	Debt satisfaction

Date of Issue:	**31/07/2014**
Number issued:	500,000
Class:	Options
Terms:	Exercisable at 25 cents by 31 December 2015
Name of applicants:	Kerry Martens - per shareholder approval 25 July 2014
Issue Price:	$ Nil
Discount to market:	N/A
Value at date of notice:	$38,805 (Appendix 1)
Intended use of cash:	N/A

Date of Issue:	**3/10/2014**
Number issued:	196,918
Class:	Fully paid ordinary
Terms:	Fully paid ordinary shares
Name of applicants:	Directors - per shareholder approval on 25 July 2014 (Gary Jeffery 171,233 and Keith Martens 25,685)
Price:	14.6 cents per share
Discount to market:	14.11%
Value received:	$28,750
Intended use of cash:	Debt satisfaction

Date of Issue:	**14/1/2015**
Number issued:	190,397
Class:	Fully paid ordinary
Terms:	Fully paid ordinary shares
Name of applicants:	Directors - per shareholder approval on 25 July 2014 (Gary Jeffery 165,563 and Keith Martens 24,834)
Price:	15.1 cents per share
Premium to market:	84%
Value received:	$28,750
Intended use of cash:	Debt satisfaction

Date of Issue:	**8/4/2015**
Number issued:	504,385
Class:	Fully paid ordinary
Terms:	Fully paid ordinary shares
Name of applicants:	Directors - per shareholder approval on 25 July 2014. (Gary Jeffery 438,596 and Keith Martens 65,789)
Price:	5.7 cents per share
Premium to market:	14.0%
Value received:	$28,750
Intended use of cash	Debt satisfaction

Voting Exclusion

A voting exclusion statement is included in this Notice. As at the date of this Notice, the Company has not invited any existing Shareholder to participate in an issue of Equity Securities under ASX Listing Rule 7.1A. Therefore, no existing Shareholders will be excluded from voting on Resolution 3.

ORDINARY RESOLUTIONS 4, 5 and 6: Approval to Issue Shares to Directors pursuant to Share Plan

ASX Listing Rule 10.11 requires Shareholder approval to be obtained where an entity issues, or agrees to issue, securities to a related party, or person whose relationship with the entity or a related party is, in ASX's opinion, such that approval should be obtained unless an exception in ASX Listing Rule 10.12 applies.

An exception to ASX Rule 10.11 is set out in ASX Listing Rule 10.12 (exception 4) which provides that ASX Listing Rule 10.11 does not apply to issue made with the approval of Shareholders under ASX Listing Rule 10.14.

ASX Listing Rule 10.14 provides that an entity must only allow a Director or their associates to acquire securities with approval of Shareholders and provided the Notice of Meeting complies with ASX Listing Rules 10.15 or 10.15A.

The Company is able to issue Shares under its existing Share Plan (**Plan Shares**) to eligible participants over a period of 3 years without impacting on the Company's ability to issue up to 15% of its total ordinary securities without Shareholder approval in any 12 month period. The Listing Rules require, however, that specific approval be obtained for the issue of shares to directors.

With effect from 1 November 2013 Mr Gary Jeffery, Managing Director of the Company, agreed, subject to shareholder approval, to receive shares for 50% of his executive director's fees. Based on fees of $200,000 per annum, Mr Jeffery agrees to receive shares for $100,000 of fees per annum.

With effect from 1 November 2013 Mr Keith Martens, a non executive director of the Company, agreed, subject to shareholder approval, to receive shares for 50% of his non executive director's fees. Based on fees of $30,000 per annum, Mr Martens agrees to receive shares for $15,000 of fees per annum.

With effect from 1 April 2015 Mr Andrew Childs, a non executive director of the Company, agreed, subject to shareholder approval, to receive shares for 50% of his non executive director's fees. Based on fees of $30,000 per annum, Mr Childs agrees to receive shares for $15,000 of fees per annum.

The shares are to be issued to the above related parties on a quarterly basis, with the issue price to be determined based on the mathematical average of the 5 day VWAP at the commencement and the 5 day VWAP at the end of the respective quarter. The Company has however set a minimum cap on the deemed issue price, being not less than 3 cents. Therefore, the maximum number of Plan Shares the related parties could receive in aggregate in the period up to 12 months from the date of this meeting would be no more than 4,333,333 Plan Shares (that is the equivalent of $130,000 at $0.03 each).

The approval to issue shares to the related parties will be for a period of 12 months from the date of the meeting.

All director's fees have been satisfied up to and including 31 March 2015.

The Directors consider that Shareholder approval pursuant to Chapter 2E of the Corporations Act is not required as the issue of Plan Shares forms part of the reasonable remuneration of the related parties pursuant to section 211 of the Corporations Act.

For the purposes of ASX Listing Rule 10.15, the following information is provided to Shareholders:

(a) The Shares will be granted to Messrs Jeffery and Martens (Directors of the Company), or their nominees;

(b) the maximum number of Plan Shares Messrs Jeffery and Martens could receive in aggregate in the period up to 12 months from the date of this meeting would be no more than 4,333,333 Plan Shares (that is the equivalent of $130,000 at $0.03 each);

(c) The Shares will be issued per the above pricing formula (being that number in total equivalent to $130,000). Based on the floor on the deemed issue price of the Plan Shares of not less than $0.03 each, the maximum number of Plan Shares the related parties could receive in aggregate would be no more than 4,333, 333 Plan Shares (Mr Jeffery - 3,333,333 Plan Shares, Mr Martens - 500,000 Plan Shares and Mr Childs - 500,000 Plan Shares);

(d) 1,540,204 shares have been issued under the plan to Keith Martens and Gary Jeffery as detailed in the share issues detailed in the notes to resolution 3;

(e) The persons covered under Listing Rule 10.14 entitled to participate in the Plan are Messrs Jeffery, Martens and Childs;

(f) The shares will rank equally with shares currently on issue;

(g) A voting exclusion statement has been included;

(h) There are no loans provided to related parties in relation to the acquisition of Shares under the Share Plan; and

The Shares will be issued to Messrs Jeffery, Martens and Childs (or their nominees) on a quarterly basis and no later than 12 months after the date of the General Meeting.

GLOSSARY

$ means Australian dollars.

Annual General Meeting or **Meeting** means the meeting convened by this Notice.

ASX means ASX Limited (ACN 008 624 691) or the Australian Securities Exchange, as the context requires.

ASX Listing Rules means the Listing Rules of ASX.

Closely Related Party of a member of the Key Management Personnel means:

(a) a spouse or child of the member;

(b) a child of the member's spouse;

(c) a dependent of the member or the member's spouse;

(d) anyone else who is one of the member's family and may be expected to influence the member, or be influenced by the member, in the member's dealing with the entity;

(e) a company the member controls; or

(f) a person prescribed by the Corporations Regulations 2001 (Cth) for the purposes of the definition of 'closely related party' in the Corporations Act.

Company means Australian Oil Company Limited – ACN 114 061 433

Directors means the current directors of the Company.

Explanatory Statement means the explanatory statement accompanying the Notice.

Annual General Meeting or **Meeting** means the meeting convened by this Notice.

Key Management Personnel has the same meaning as in the accounting standards issued by the Australian Accounting Standards Board and means those persons having authority and responsibility for planning, directing and controlling the activities of the Company, or if the Company is part of a consolidated entity, of the consolidated entity, directly or indirectly, including any director (whether executive or otherwise) of the Company, or if the Company is part of a consolidated entity, of an entity within the consolidated group.

Notice or **Notice of Meeting** or **Notice of Annual General Meeting** means this notice of Annual General Meeting including the Explanatory Statement and the Proxy Form.

Ordinary Securities has the meaning set out in the ASX Listing Rules.

Resolutions means the resolutions set out in the Notice of Meeting, or any one of them, as the context requires.

Share means a fully paid ordinary share in the capital of the Company.

Shareholder means a holder of a Share.

WST means Australian Western Standard Time (Perth, Western Australia).

Instructions for Completing 'Appointment of Proxy' Form

1. (**Changes to Proxy Voting**): Sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Section 250R(5) of the Corporations Act came into effect on 28 June 2012 and will affect the Chair's votes on undirected proxies. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this Annual General Meeting. Broadly, the changes mean that:

   (a) if proxy holders vote, they must cast all directed proxies as directed;

   (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed; and

Further details on these changes are set out below.

2. (**Appointing a Proxy**): A member with two or more votes entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote on a poll on their behalf. The appointment of a second proxy must be done on a separate copy of the Proxy Form. Where more than one proxy is appointed, such proxy must be allocated a proportion of the member's voting rights. If a member appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half the votes. A duly appointed proxy need not be a member of the Company.

3. (**Proxy vote if appointment specifies way to vote**): Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, **if it does**:

   (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed);

   (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands;

   (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and

   (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

4. (**Transfer of non-chair proxy to chair in certain circumstances**): Section 250BC of the Corporations Act provides that, if:

   (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members;

   (b) the appointed proxy is not the chair of the meeting;

   (c) at the meeting, a poll is duly demanded on the resolution; and

   (d) either of the following applies:

      (i) the proxy is not recorded as attending the meeting;

      (ii) the proxy does not vote on the resolution,

   the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

5. (**Signing Instructions**):

   (a) (**Individual**): Where the holding is in one name, the member must sign.

   (b) (**Joint Holding**): Where the holding is in more than one name, all of the members should sign.

   (c) (**Power of Attorney**): If you have not already provided the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

   (d) (**Companies**): Where the company has a sole director who is also the sole company secretary, that person must sign. Where the company (pursuant to Section 204A of the Corporations Act) does not have a company secretary, a sole director can also sign alone. Otherwise, a director jointly with either another director or a company secretary must sign. Please sign in the appropriate place to indicate the office held.

6. (**Attending the Meeting**): Completion of a Proxy Form will not prevent individual members from attending the Annual General Meeting in person if they wish. Where a member completes and lodges a valid Proxy Form and attends the Annual General Meeting in person, then the proxy's authority to speak and vote for that member is suspended while the member is present at the Annual General Meeting.

7. (**Voting in person**):

   (a) A Shareholder that is an individual may attend and vote in person at the Meeting. If you wish to attend the Meeting, please bring the attached proxy form to the Meeting to assist in registering your attendance and number of votes. Please arrive 15 minutes prior to the start of the Meeting to facilitate this registration process.

   (b) A Shareholder that is a corporation may appoint an individual to act as its representative to vote at the Meeting in accordance with Section 250D of the Corporations Act. The appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission. A form of the Certificate is enclosed with this Notice of Meeting.

8. (**Return of Proxy Form**): To vote by proxy, please complete and sign the enclosed Proxy Form and return the Proxy Form (and any Power of Attorney under which it is signed):

   (a) In person to Level 2, 55 Carrington Street, Nedlands, Perth, WA;

   (b) By mail to PO Box 985, Nedlands, WA, 6909.

   (c) By Facsimile to +61 8 9389 8327;

   (d) By scan and email to davidm@broadwaymgt.com.au

   so that it is received at least 48 hours prior to commencement of the Annual General Meeting. Proxy Forms received later than this time will be invalid.

AUSTRALIAN OIL COMPANY LIMITED

ACN 114 061 433

APPENDIX 1

Valuation of Options Issued on 13/7/2014

The Company has valued the Options using the Black-Scholes option model and based on the assumptions as set out in the table below, with the Options ascribed a value as follows:

Assumptions:

Value date	10 October 2014
Share price	$0.15
Exercise price	$0.25
Term	16 months
Volatility	150%
Risk free interest rate	2.23%
Indicative value per Option (cents)	$0.0776

CERTIFICATE OF APPOINTMENT OF CORPORATE REPRESENTATIVE

Shareholder Details

This is to certify that by a resolution of the directors of:

…….. (***Company***),
Insert name of Shareholder Company
the Company has appointed:

……,
Insert name of corporate representative

in accordance with the provisions of section 250D of the Corporations Act 2001, to act as the body corporate representative of that Company at an annual general meeting of the members of Australian Oil Company Limited to be held on Wednesday 27 May 2015 commencing at 10.00 am (WST) and at any adjournments of that annual general meeting.

DATED …….

Please sign here

Executed by the Company)
in accordance with its constituent documents)
)

.....	.....
Signed by authorised representative	Signed by authorised representative
.....	.....
Name of authorised representative (print)	Name of authorised representative (print)
.....	.....
Position of authorised representative (print)	Position of authorised representative (print)

Instructions for Completion

- Insert name of appointing Shareholder Company and the name or position of the appointee corporate representative (eg “John Smith” or “each director of the Company”).
- Execute the Certificate following the procedure required by your Constitution or other constituent documents.
- Print the name and position (eg director) of each authorised company officer who signs this Certificate on behalf of the Company.
- Insert the date of execution where indicated.
- Prior to the Meeting, send or deliver the Certificate to the registered office of Australian Oil Company Limited at Level 2, 55 Carrington Street, Nedlands WA 6009 or fax the Certificate to the registered office at +61 8 9389 8327.

PROXY FORM

APPOINTMENT OF PROXY
AUSTRALIAN OIL COMPANY LIMITED
ACN 114 061 433

ANNUAL GENERAL MEETING

I/We

Address

being a Member of Australian Oil Company Limited entitled to attend and vote at the Annual General Meeting, hereby

Appoint

Name of proxy (**Please note**: Leave blank if you have selected the Chair of the Annual General Meeting as your proxy

OR ☐ the Chair of the Annual General Meeting as your proxy

or failing the person so named or, if no person is named, the Chair of the Annual General Meeting, or the Chair's nominee, to vote in accordance with the following directions, or, if no directions have been given, and subject to the relevant laws as the proxy sees fit, at the Annual General Meeting to be held at 10.00 am (WST) on Wednesday 27 May 2015 at Level 2, 55 Carrington St, Nedlands, Perth, Western Australia, and at any adjournment of that meeting.

The Chair intends to vote undirected proxies in favour of all Resolutions in which the Chair is entitled to vote.

Voting on Business of the Annual General Meeting

	FOR	AGAINST	ABSTAIN
Ordinary Resolution 1: Adoption of Remuneration Report	☐	☐	☐
Ordinary Resolution 2: Re-Election of Director – Andrew Childs	☐	☐	☐
Special Resolution 3: Approval of 10% Placement Capacity	☐	☐	☐
Ordinary Resolution 4: Issue of Shares under Incentive Share Plan - G Jeffery	☐	☐	☐
Ordinary Resolution 5: Issue of Shares under Incentive Share Plan - K Martens	☐	☐	☐
Ordinary Resolution 6: Issue of Shares under Incentive Share Plan - A Childs	☐	☐	☐

Please note: If you mark the abstain box for a particular Resolution, you are directing your proxy not to vote on that Resolution on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

Important for Resolution 1

If a member of the Key Management Personnel whose remuneration details are included in the Remuneration Report or a Closely Related Party of such a member is your proxy you must direct (in writing) your proxy how to vote on Resolution 1 unless that person is also the Chair in which case you must, in the absence of a direction how to vote, expressly authorise the Chair to exercise the proxy by marking the box below.

☐ I/we direct the Chair to vote in accordance with their voting intentions on Resolution 1 (except where I/we have indicated a different voting intention above) and acknowledge that the Chair may exercise my/our proxy even though Resolution 1 is connected directly or indirectly with the remuneration of a member of the Key Management Personnel of the Company.

If you do not mark this box, and you have not directed the Chair how to vote on Resolution 1, the Chair will not cast your votes on Resolution 1 and your votes will not be counted in calculating the required majority if a poll is called on Resolution 1.

If two proxies are being appointed, the proportion of voting rights this proxy represents is _____%.

Signature of Member(s) _____ **Date:** _____

Individual or Member 1	**Member 2**	**Member 3**
Sole Director/Company Secretary	**Director**	**Director/Company Secretary**

Contact Name: _____ **Contact Ph (daytime):** _____ **Date:** _____

AUSTRALIAN OIL COMPANY LIMITED

ABN 83 114 061 433

ANNUAL REPORT

FOR THE SIX MONTHS ENDED
31 DECEMBER 2014

CONTENTS

Page

Corporate Directory 1

Review of Operations 2

Directors' Report 12

Auditor's Independence Declaration 30

Corporate Governance Statement 31

Consolidated Statement of Financial Position 38

Consolidated Statement of Profit or Loss and Other Comprehensive Income 39

Consolidated Statement of Changes in Equity 41

Consolidated Statement of Cash Flows 45

Notes to the Consolidated Financial Statements 46

Directors' Declaration 86

Independent Audit Report 87

Securities Exchange Information 89

CORPORATE DIRECTORY

DIRECTORS AND COMPANY SECRETARY:

Andrew Childs
Non-executive Chairman

Gary Jeffery
Managing Director

Keith Martens
Non-executive Director

David McArthur
Company Secretary

REGISTERED OFFICE:

Level 2
55 Carrington Street
Nedlands WA 6009

PO Box 985
Nedlands WA 6909

Telephone: +61 8 9423 3200
Facsimile: +61 8 9389 8327

PRINCIPAL OFFICE:

Suite 1
45 Ord Street
West Perth WA 6005

Telephone: +61 8 9226 0866
Facsimile: +61 8 9486 7375

SHARE REGISTRY:

Advanced Share Registry Services Limited
110 Stirling Highway
Nedlands WA 6009

Telephone: +61 2 9389 8033
Facsimile: +61 2 9262 3723

BANKERS:

National Australia Bank
100 St George's Terrace
Perth WA 6000

AUDITORS:

Ernst and Young
11 Mounts Bay Road
Perth WA 6000

WEBSITE AND EMAIL:

Website: www.australianoilcompany.com
Email: info@australianoilcompany.com
Twitter: @AusOilCompany

SECURITIES EXCHANGE :

Australian Oil Company Limited shares are listed on the Australian Securities Exchange (ASX)

Code - AOC

DOMICILE AND COUNTRY OF INCORPORATION:

Australia

REVIEW OF OPERATIONS

HIGHLIGHTS

- **Potential for multi-Tcf conventional gas production from Sacramento Basin leases reinforced by further review of geological and geophysical data**
- **AOC targeting gas supply to 2.5 Tcf per year Californian domestic gas market and growing North American export LNG markets**
- **Gas prices in California remain at attractive levels for development of large conventional sandstone reservoir prospects.**
- **Cal LNG joint venture provides optionality and upside for monetizing exploration success for AOC and interested farm-in companies**
- **Focused on farming-out multi-Tcf conventional gas production opportunities under and adjacent to the prolific Sacramento Gas Basin, onshore California**
- **Ongoing discussions with potential funding partners for drilling of Dempsey, Alvares, and / or Arnaudo conventional gas prospects**

STRATEGY FOR DELIVERING VALUE

Australian Oil Company Limited (ASX: AOC) is an Australian-based energy company focused on conventional gas exploration and development in the highly prospective, Sacramento Basin, onshore California.

The Company has changed its financial reporting year to a calendar year basis. Consequently this report is focused on operations undertaken during the last six months of 2014.

AOC's Sacramento Basin prospects are located in a proven gas producing jurisdiction, yet to date these somewhat eccentric, but yet conventional type of prospects remain largely underexplored due to a number of circumstances that saw exploration investments preferentially made elsewhere in the US and the world.

The world-class multi-Tcf Sacramento Basin has produced around 11 Tcf gas with the largest field, discovered in 1936, having produced 3.5 Tcf gas to date.

AOC has an extensive portfolio of conventional gas prospects at both exploration and appraisal stages, including a number of multi-Tcf opportunities within the prolific Sacramento Basin. The Company has put in place plans aimed at supplying gas to the significant local Californian gas market and burgeoning LNG market on the west coast of North America. The demand for gas in California is highlighted by the fact that it imports over 90% of its 2.5 Tcf gas demand from other US states and Canada.

AOC's key assets are located within 15 km of major gas trunklines connecting to the North America gas pipeline network. This pipeline network provides access to the attractive Californian markets and multiple planned North American LNG export projects and their planned service pipelines, including the proposed British Columbia, Canada LNG plants, Oregon and Jordon Cove LNG and Energia Costa Azul LNG plant in Baja California.

In California, large gas resources can be produced with very attractive economic returns at gas prices significantly below US$3 / mcf. Current prices in the California gas market are around US$3 / mcf. Furthermore, AOC estimates that the LNG export market on the West Coast of the US is potentially 2 Bcf/day (~0.7 Tcf/per year) and up to 20 Bcf/day in British Columbia, Canada.

REVIEW OF OPERATIONS (continued)

AOC is implementing a conventional gas development and production strategy which takes into account the requirements of gas investors and large power plant operators, industrial users and LNG export plants. These requirements include:

- Easy to increase / decrease producing gas volumes
- Large gas volumes from less wells
- Lower capital (drilling and development) and operating expenses
- Lower well densities and acreage lease rental costs
- Attractive return on investment at gas prices of US$2.00 + / mcf
- Proximity to Californian power plants and gas customers
- Proximity to West Coast North American LNG export plants

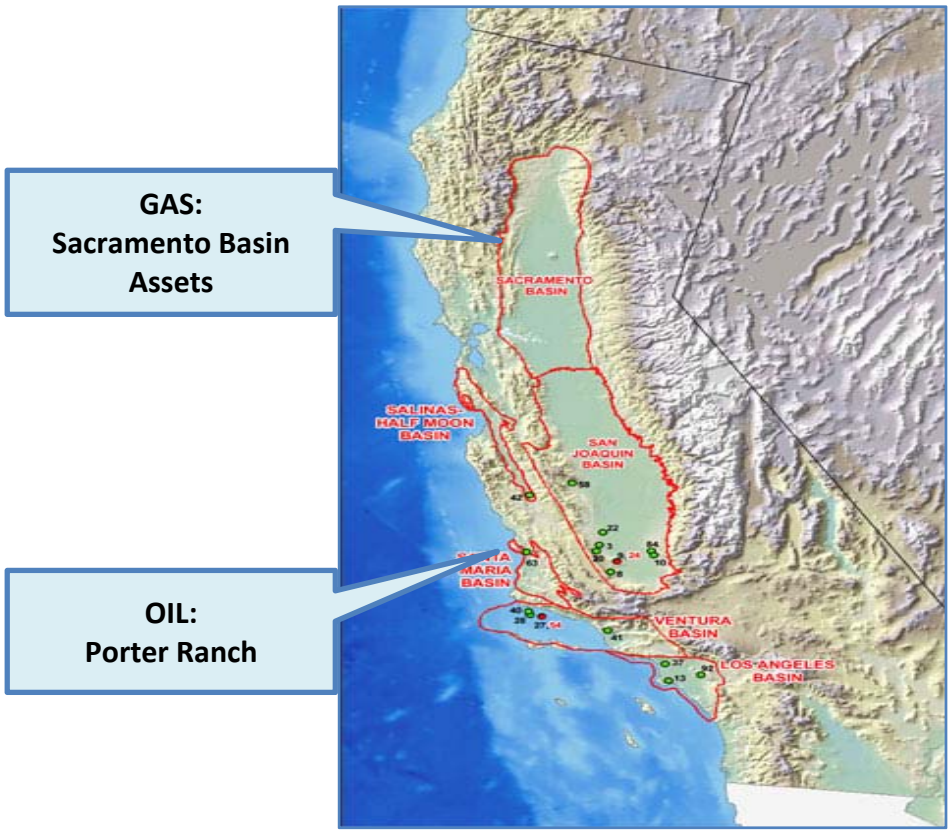

Figure 1: Location of AOC Projects in California

Exploration in the northern Sacramento Basin over the last century has resulted in the drilling of over 6000 wells. Less than 15 of these wells have tested parts of the innovative AOC conventional gas play and only two wells are assessed by AOC to have been drilled within structural closure. Both of those wells have extensive (over 1500 metres) gas shows and associated gas flows, but were considered to not be of commercial interest at the time (pre 1982) they were drilled with oil as the only target hydrocarbon.

REVIEW OF OPERATIONS (continued)

Assessment of AOC assets agaisnt Key Growth Criteria for emerging companies

The left hand column of the table below summarises the requirement that are widely recognised as necessary for an oil and gas company to grow shareholder value.

Key Growth Drivers	AOC Assets v Growth Drivers
Target underexplored assets in proven producing jurisdiction with exposure to significant exploration upside which can be enhanced through use of new ideas and technologies	AOC has exposure to potentially multi-tcf conventional gas prospects albeit recognised by a very small number of other industry participants, onshore California
Experienced Board and management team with extensive network of contacts in global petroleum industry – provides access to deal flow and accelerated deal entry	AOC management team has established access to high-quality affordable and available acreage
Geographically diversified asset base across multiple plays and countries	AOC has diversified its asset base across multiple plays, but within infrastructure and services rich, and high demand California.
Focused on organic growth opportunities, strengthened through strategic acquisitions with significant exploration upside	AOC has established a number of growth opportunities with huge upside
Maintain disciplined asset criteria: • Large acreage positions with significant 'running room' and follow-up potential • Initial equities of 20%-40% • High quality technical partners – shorten execution timing • Preference for using capital for seismic and drilling as opposed to cash bids and expensive work programs	AOC has leased extensive prospect focused acreage positions at less than $50/acre; AOC working interest from 30% - 70%; Very experienced local partners; Direct acreage leasing and ability to manage own drilling timetable;
Cash flow from production	AOC has interests in producing assets and associated valuable Infrastructure

In the right hand column, AOC's assets are assessed against the criteria and exhibit a strong correlation, and hence a robust platform for future growth.

OPERATIONS OVERVIEW

During the period, AOC continued to advance discussions with potential funding partners interested in the development of the key Dempsey and / or Alvares prospects. The Dempsey and Alvares prospects have gross unrisked best estimate recoverable prospective resources* of 1 TCF and 2.4 TCF respectively.

** These estimates and the basis of their determination were included in a release to the ASX platform on 9 September 2014, titled "Good Oil Conference 2014 Presentation".*

The estimated quantities of petroleum that may potentially be recovered by the applicaton of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.

Permitting to drill the Dempsey exploration prospect commenced during the period and AOC plans to have permitting completed for earliest drilling when funded by farm-in.

In December 2014, AOC 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.

Whilst the Company remains firmly focused on the development of its key onshore conventional gas assets, it believes the formation of Cal LNG will add another growth platform with exposure to significant upside while maintaining a conservative capital structure, and moreover may be attractive to international farm-in companies.

REVIEW OF OPERATIONS (continued)

SACRAMENTO BASIN - Onshore Northern California

EXPLORATION, APPRAISAL AND NEW VENTURES

AOC has established a portfolio of exploration leases during the period, through acquisitions and renewals. The Company has a working interest (WI) between 40% and 70% in these leased lands which cover conventional gas prospects.

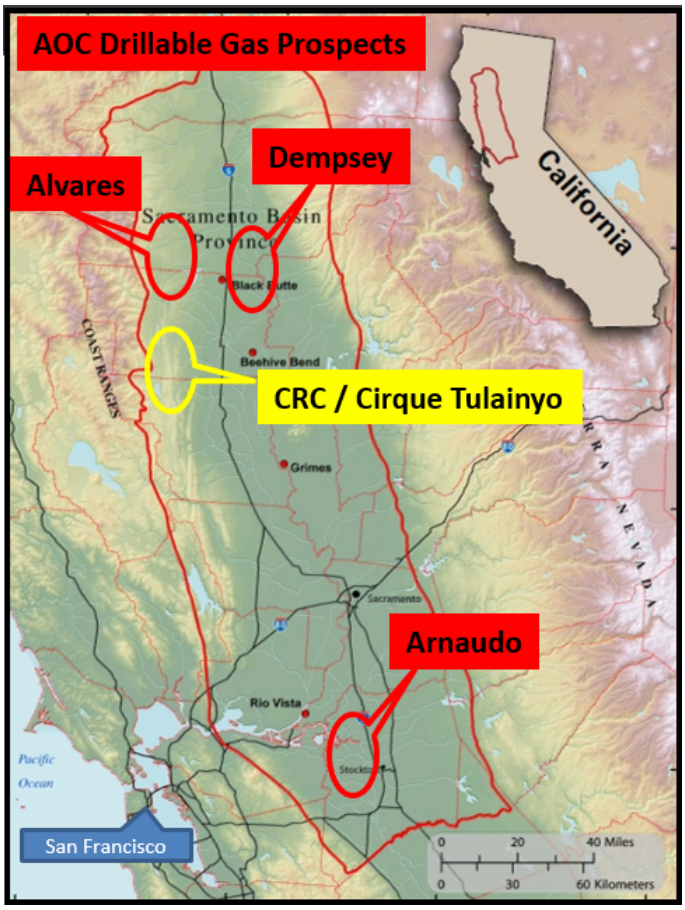

Figure 2: Location of Gas Projects in the Sacramento Basin

During 2014, the Company acquired and reprocessed a large amount of 2D seismic data which further reinforced the interpreted multi-Tcf potential of both the Dempsey and Alvares prospects respectively. The improved technical data has also been used to identify additional priority prospects for exploration.

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.

REVIEW OF OPERATIONS (continued)

Dempsey Gas Project – Exploration Stage (AOC 55% WI)

AOC commenced permitting to drill the multi-zone, 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.

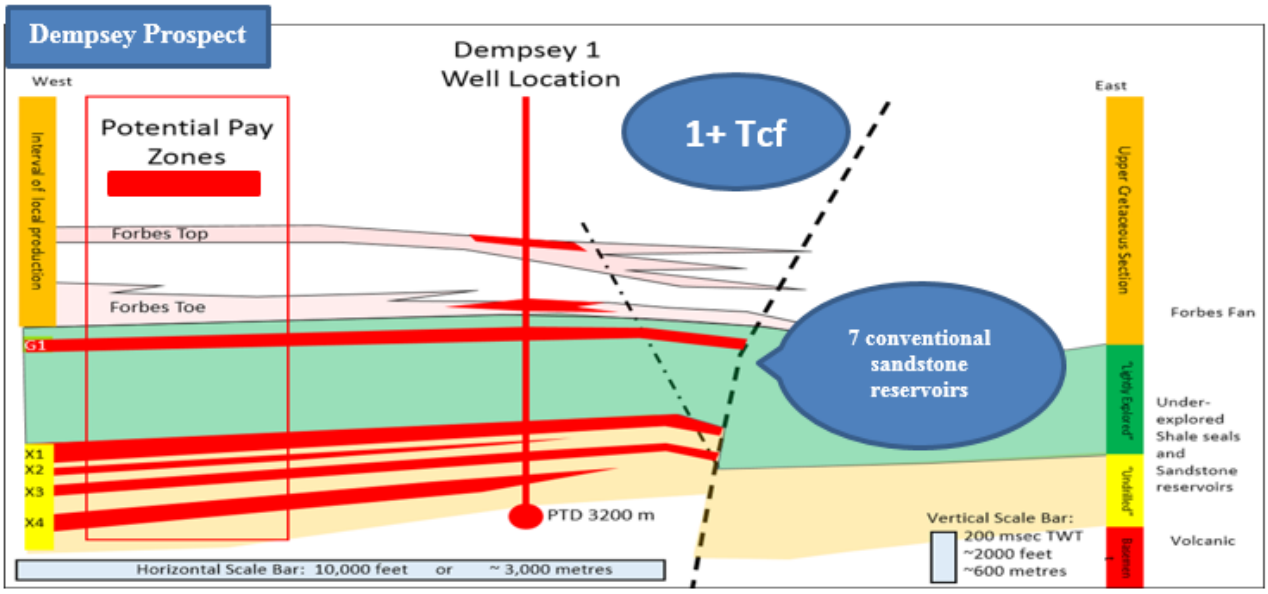

Figure 3: Dempsey Prospect Schematic Cross-section

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$3.5 and $5 million.

The total (100%) unrisked 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 a proven gas field unit, with easy access to existing infrastructure. Should commercial quantities of gas be found, existing AOC owned production facilities, which are connected to the interstate pipeline networks, would be used to sell the gas with minimum delay.

AOC is aiming to finalise a funding / farmout agreement and commence drilling at the Dempsey prospect in 2015.

Alvares Gas Prospect – Appraisal Stage (AOC 40% WI)

The Alvares gas project 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 (CRC), (a NYSE listed spin-off, on 1 December 2014, from Occidental Petroleum Corporation), California's largest oil and gas company.

AOC understands that CRC has conducted drilling operations at the Tulainyo project during the period, however no further useful technical information has been made public at this stage. Information required by the regulator on the drilling has been classified as confidential.

REVIEW OF OPERATIONS (continued)

Alvares Gas Prospect – Appraisal Stage (AOC 40% WI) (continued)

Importantly for AOC, information from the Tulainyo project could have a significant bearing on the Dempsey prospect as the shallow reservoirs in the James 1 well and Tulainyo 1 well are interpreted to be of similar age to those targeted by Dempsey drilling. Deeper reservoirs targeted in Tulainyo are interpreted to be of similar age to the gas-hosting Alvares project reservoirs.

The Alvares project is aimed at appraising extensive gas shows intersected in the 1982 Alvares 1 well and is estimated to potentially contain a total (100%) unrisked recoverable prospective conventional gas resource on a best estimate deterministic basis of approximately 2.4 Tcf (400 million boe).

Well files show that the reservoir containing the extensive gas shows is a conventional sandstone reservoir with indications of porosity and permeability capable of flowing gas at commercial quantities without stimulation. A compilation of available technical information supports the presence of a working petroleum system, source rocks, seals, reservoirs and traps in the clastic sediments under and adjacent to the established Sacramento Basin.

Potential traps for gas in the Alvares 1 well were intersected around 8,000 feet (2,400 metres) below the surface.

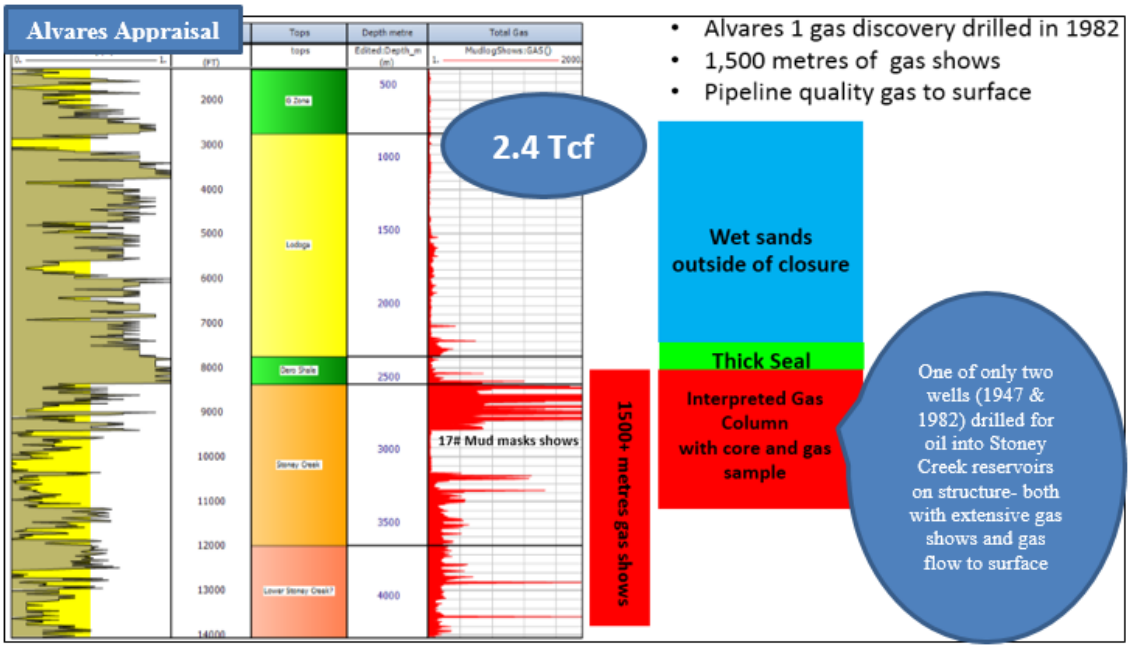

Figure 4: Alvares Appraisal Project Summary

A well at Alvares is estimated to cost between US$4 and $8 million depending on the detailed well plan.

Confirmation of a commercial gas flow rate at Alvares would require the construction of a short gas pipeline to connect the producing well to the Californian pipeline system and gas markets.

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

REVIEW OF OPERATIONS (continued)

Arnaudo Gas Prospect- Exploration Stage (AOC 55%)

The Arnaudo Gas Prospect is located in the southern part of the Sacramento Basin and is prospective for gas in two sands forming a structural / stratigraphic combination trap along the controlling fault trend from the 268 Bcf (produced) Union Island gas field.

Each of the two interpreted conventional sandstone traps could potentially contain best-estimate, deterministic recoverable prospective resources of 20 Bcf gas. This estimate is based on the extent of the interpreted reservoir on 3D seismic, and projection of sand thicknesses and related resource estimate attributes from the Union Island Field and local well control.

Pipeline facilities are located within approximately 2 miles of the prospect well location.

The costs associated with establishing a well at Arnaudo are estimated to be approximately US$2 million.

Success at the Arnaudo well would provide attractive cash flow in the short term sand open up other on trend prospects, but would not affect the understanding of the northern Sacramento Basin Dempsey or Alvares type gas plays.

Discussions are progressing on a potential funding agreement for Arnaudo with the potential for the well to be drilled and production to commence in 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. These working interests were entered into primarily as a means to acquire leases for further exploration and to 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	Calendar Year 2014	Year to June 2014
Gross mcf * (100%)	200,487	226,816
Net AOC mcf (after Royalty)	75,180	82,602

**mcf – Thousand Cubic feet gas*

In calendar year 2014 there was reduced production during part of the year due to some wells being temporarily shut in waiting on pipeline repairs by the pipeline operator.

AOC pays a small gas tariff to supply its share of produced gas into the PG&E pipeline system and sells it gas on a spot basis. The produced gas generally sells for a premium to the US benchmark Henry Hub gas prices.

Santa Maria Basin (HUASNA Sub-Basin) - Onshore Southern California

Exploration

Porter Ranch Oil Prospect (AOC 45% WI)

The Porter Ranch Prospect in San Luis Obispo County consists of leases 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 for initial drilling 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.

REVIEW OF OPERATIONS (continued)

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 have progressed during the year. Activities to better assess the injection capacity of the well are planned for 2015.

Santa Maria Basic (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.

Oil and Gas Leases

Tenement List		
Project Name	**Location**	**Working Interest**
Alvares Project	Sacramento Basin Onshore Northern California	40%
Dempsey Prospect	Sacramento Basin Onshore Northern California	55%
Arnaudo Prospect	Sacramento Basin Onshore Northern California	55%
California AMI Prospects	Sacramento Basin Onshore Northern California	70%
Rancho-Capay Gas Field	Sacramento Basin Onshore Northern California	55%
Los Medanos Gas Field	Sacramento Basin Onshore Northern California	55%
Porter Ranch Oil Prospect	Santa Maria Basin- Onshore Southern California	45%
Mankins Ranch Oil Project	Santa Maria Basin (Huasna Sub-Basin) Onshore Southern California	35%
SCU #1-24 Water Disposal Well	San Joaquin Basin Onshore Southern California	32.81%
Changes in Reporting Period: There have been no changes in the Project List or Working Interests in the reporting period		

It should be noted that the company is pursuing Conventional Plays based on discrete mapped prospects and leads and the land under lease is related to prospect size, whereas in the case of the Unconventional (shale oil and shale gas) Resource Plays leasing is undertaken with more of a large area blanket approach.

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

In 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.

REVIEW OF OPERATIONS (continued)

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

The development of the northern Sacramento gas prospects, particularly Dempsey and Alvares 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 in order to establish an additional growth platform for the Company and potentially attractive options for farm-in companies.

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

ISSUED CAPITAL at 10 MARCH 2015	
Ordinary Shares	92,501,654
Unlisted Options exercisable @ 25 cents by 31 Dec 2015	11,500,000
Unlisted Options exercisable @ 25 cents by 31 Dec 2016	500,000

Note: 1. On 25 July 2014 shareholders approved the issuing of AOC ordinary shares in lieu of Director and consulting fees. A total of 387,315 ordinary shares were issued in lieu of Director and consulting fees for the period from June to December 2014.
2. On 31 December 2014, 16,500,000 Unlisted Options expired

AOC Managing Director Gary Jeffery commented:

"The Board and management team at AOC continued to work diligently during the period, with our focus being on the commencement of drilling at our key Dempsey, Alvares and Arnaudo conventional gas prospects. We have also been assessing options for the commencement of drilling at our Porter Ranch oil project.

In order to commence our anticipated drilling programs, we have been actively progressing discussions with potential funding partners who have indicated a genuine interest in the development of the respective prospects. We continue to progress these encouraging discussions.

Furthermore, during this period we announced the formation of Cal LNG, which adds another option for growth for AOC in California – as well as potential value and a proven incentive for select farm-in partners.

Most importantly, the Board and management believe AOC is well positioned to weather fluctuations in global oil prices. We are also confident that the growth potential attached to the Company's large-scale conventional gas prospects in the Sacramento Basin remains compelling for investors who recognise the leverage in our fundamentals-driven approach to understanding the petroleum geology, and the low entry cost and high intrinsic value of our asset portfolio."

Gary Jeffery
Managing Director

Website: www.australianoilcompany.com
Twitter: @AusOilCompany

REVIEW OF OPERATIONS (continued)

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 (partial interest in part of an acre) to large landholdings (covering a few square miles). Leases generally are for 5 years and rentals are paid annually. These leases have conditions of access and importantly terms that require that upon commencement of production royalties (generally less than 20%) will be paid to Mineral Right Owners. There are no work commitments associated with the leases.

Some leases are currently 'Held By Production' (HBP) and royalties (generally around 30%) are paid to mineral right owners in lieu of rentals.

AOC has not listed all it leases individually 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 42 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.

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.

DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Group, comprising Australian Oil Company Limited ("the Company") and its controlled entities (together referred to as "the Group" and individually as "Group Entities") for the six months ended 31 December 2014. The Company has changed its financial year end date from 30 June to 31 December and this has necessitated the presentation of an "annual report" for the six month transitional financial period ended 31 December 2014.

1. DIRECTORS

The directors of the Company at any time during or since the end of the financial period were:

Name	Period of Directorship
Executive	
Gary Jeffery	Director since 24 October 2013
Non-executive	
Andrew Childs	Director since 25 November 2008
Keith Martens	Director since 14 June 2011

Andrew Childs
Non-executive Chairman
Appointed Chairman on 7 January 2009

Experience and expertise
Andrew Childs graduated from the University of Otago, New Zealand in 1980 with a Bachelor of Science in Geology and Zoology. Having started his professional career as an Exploration Geologist in the Eastern Goldfields of Western Australia, Mr Childs moved to petroleum geology and geophysics with Perth-based Ranger Oil Australia (later renamed Petroz NL). He gained technical experience with Petroz as a Geoscientist and later commercial experience as the Commercial Assistant to the Managing Director. He is also Principal of Resource Recruitment and Managing Director of International Recruitment Services Pty Ltd.

Other current directorships

Non-executive Director	ADX Energy Limited	11 November 2009 to current
Non-executive Director	Riedel Resources Limited	9 April 2010 to current

Former directorships in the past three years

Non-executive Director	Xstate Resources Limited	11 February 2013 to 12 November 2013

Special responsibilities
None

1. DIRECTORS (continued)

Gary Jeffery
Managing Director
Appointed Managing Director on 6 November 2013

Experience and expertise
Gary Jeffery has over forty years of project development, operations and exploration experience in the oil, gas and mining and energy utilities industries, having worked for both large and small organisations in over thirty countries worldwide.

He is an experienced director of public companies in Australia, Uganda and Canada, and has broad international experience in resources, and provides consulting services on energy and resource related matters.

Mr Jeffery graduated with a BSc in Geology and Geophysics from the University of New England. He is a member of the Australian Institute of Energy, Fellow of Australian Institute of Company Directors, and a WA Energy Research Alliance (WAERA) Industry Advisory Group participant.

Other current directorships
None

Former directorships in the past three years

Executive Director	Xstate Resources Limited	8 July 2010 to 6 November 2013

Special responsibilities
None

Keith Martens
Non-executive Director

Experience and expertise
Keith Martens is an explorationist with 35 years' experience in Australia, North America, New Zealand, Philippines and Kazakhstan. He is the former Exploration Manager of Tap Oil Limited, Bow Energy Limited and Senex Energy Limited. He is the current lead explorationist for Jupiter Energy and Australian Oil Company and is Principal of Martens Petroleum Consulting Pty Ltd.

Other current directorships
None

Former directorships in the past three years
None

Special responsibilities
None

All directors held their positions as a director throughout the entire financial period unless otherwise stated.

2. COMPANY SECRETARY

David McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 24 October 2013. Mr McArthur has over 30 years' experience in the corporate management of publicly listed companies.

3. DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors held during the six months ended 31 December 2014, and the number of meetings attended by each director was:

Director	Full meetings of directors		Meetings of audit and risk management committee	
	No. of meetings attended	No. of meetings held whilst a director	No. of meetings attended	No. of Meetings Held whilst a director
Andrew Childs	2	2	1	1
Gary Jeffery	2	2	-	-
Keith Martens	2	2	1	1

The remuneration and nomination, and environmental functions are handled by the full board of the Company. As set out in the Corporate Governance Statement, the Company is not of a size, nor are its financial affairs of such complexity to justify separate committees of the board of directors for these functions.

4. PRINCIPAL ACTIVITIES

The principal activity of the Group during the course of the financial year was interests in natural gas and oil exploration in the USA.

There was no significant change in the activity of the Group during the reporting period.

5. OPERATING AND FINANCIAL REVIEW

Overview

Australian Oil Company Limited is listed on the Australian Securities Exchange (ASX: AOC) and has approximately 92.5 million shares on issue. The Group's primary asset is the Sacramento Basin project in California, USA.

Summary of material transactions

At a general meeting on 25 July 2014, shareholders approved the following:

- Ratification of the previous issue of 11,930,326 shares at a price of 10 cents each.
- Adoption of a new Incentive Share Plan in accordance with ASX Listing Rule 7.2 (Exception 9(B)).
- The issue of 648,501 fully paid ordinary shares to directors in satisfaction of director fees pursuant to the Incentive Share Plan. These shares were issued on 31 July 2014 at an issue price of 10.5 cents each.
- The issue of 500,000 Director options for nil cash consideration exercisable at 25 cents on or before 31 December 2016.

5. OPERATING AND FINANCIAL REVIEW

Summary of material transactions (continued)

In early December 2014 the Company announced the formation of Cal LNG LLC, a joint venture 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 of 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.

Financial results

The loss for the six months ended 31 December 2014 attributable to members of Australian Oil Company Limited after income tax was $506,823 (12 months ended 30 June 2014: profit of $321,234).

Review of financial condition

The net assets of the Group reduced by $179,197 from $2,441,409 at 30 June 2014 to $2,262,212 at 31 December 2014.

Significant changes in the state of affairs

In the opinion of the directors there were no matters that significantly affected the state of affairs of the Group during the six months ended 31 December 2014, other than those matters referred to in the summary of material transactions and the operations report.

6. DIVIDENDS

The directors recommend that no dividend be provided for the six months ended 31 December 2014 (12 months ended 30 June 2014: Nil).

7. SUBSEQUENT EVENTS

Other than the matters disclosed in note 29 of the notes to the consolidated financial statements, there have been no matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

8. LIKELY DEVELOPMENTS

The Group will continue to grow its exploration portfolio in California, USA.

9. ENVIRONMENTAL REGULATION

The Group is subject to significant environmental regulation in relation to its exploration activities and aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are not aware of any breaches during the period covered by this report.

10. DIRECTORS' INTERESTS

The relevant interest of each director in the shares and options issued by the Group, as notified by the directors to the ASX in accordance with S205G(1) of the Corporations Act 2001, at the date of this report is as follows:

Director	Ordinary Shares	Options over ordinary shares
Andrew Childs	4,223,436	2,000,000
Gary Jeffery	1,820,710	5,000,000
Keith Martens	2,415,315	3,500,000

11. SHARE OPTIONS

Options granted to directors of the Company

During, or since the end of the reporting period, the Company granted options for no consideration over unissued ordinary shares in the Company to the following directors and senior executives as part of their remuneration:

	Number of options granted	Exercise price per option cents	Expiry date
Non-executive directors			
Keith Martens	500,000	25	31 December 2016

The options tabled above were provide at no cost to the recipients. All options expire on their expiry date.

Unissued shares under options

At the date of this report unissued ordinary shares of the Company under option are:

Expiry date	Exercise price cents	Number of shares
31-Dec-2015	25	11,500,000
31-Dec-2016	25	500,000
		12,000,000

All unissued shares are ordinary shares of the Company.

All options expire on their expiry date.

Options do not entitle the holder to participate in any share issue of the Company.

Shares issued on exercise of options

During, or since the end of the financial year, no shares were issued as a result of the exercise of options.

12. INDEMNIFICATION AND INSURANCE OF OFFICERS

During the six months ended 31 December 2014, the Company paid a premium of $3,116 (twelve months to 30 June 2014: $nil) to insure the directors and key management of the Group.

The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Group, and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a wilful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for themselves or someone else or to cause detriment to the Group. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

The Group has agreed to indemnify each of the directors, the company secretary of the Company and the current directors and company secretary of its controlled entities, against all liabilities to another person (other than the Company or a related body corporate) that may arise from their position as directors and company secretary of the company and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Company will meet the full amount of any such liabilities, including costs and expenses.

No agreements have been entered into to indemnify the Group's auditors against any claims by third parties arising from their report on the Annual Financial Statements.

13. NON-AUDIT SERVICES

The Group may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

No amounts were paid to the auditor of the Company, Ernst & Young, and its related practices for non-audit services provided during the year.

14. REMUNERATION REPORT - AUDITED

The remuneration policy of Australian Oil Company Limited has been designed to align director and executive objectives with shareholders and business objectives. The Board believes the remuneration policy to be appropriate and effective in its ability to attract and retain the best executives and directors to run and manage the consolidated entity. The Board reviews executive packages annually by reference to executive performance and comparable information from industry sectors. Remuneration is ultimately at the discretion of the Board. All remuneration paid to directors and executives is valued at the cost to the Company and expensed.

Currently, the remuneration of the Company's Key Management Personnel (KMP), including any component of the remuneration that consists of securities in the Company, is not formally linked to the performance of the Company. The rationale for this approach is that the Company is in the exploration and development phase, and it is currently not appropriate to link remuneration to factors such as profitability. It is anticipated that this will change should the Company transition into a fully operational phase.

The directors of the Company prepared the Remuneration Report in accordance with Section 300A of the Corporations Act 2001 for the Group for the six months ended 31 December 2014. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

This remuneration report sets out the current remuneration arrangements for Non-Executive Directors, Executive Directors and other KMP of Australian Oil Company Limited. For the purposes of this report, key management personnel is defined as those persons having authority and responsibility for planning, directing and controlling major activities of the Group, and includes the executives of the Group receiving the highest remuneration.

Overall the Group believes its remuneration policy and framework is designed to deliver strong alignment of interests between executives and shareholders.

The remuneration report is set out under the following main headings:

(a) Principles of compensation
(b) Directors' and senior executives' remuneration
(c) Analysis of bonuses included in remuneration
(d) Equity instruments

Principles of Compensation

Remuneration is referred to as compensation at times in this report.

The Group has a remuneration policy that aims to provide remuneration that is fair and equitable in terms of external competitiveness. The policy is determined by the Board and administered by management at its discretion.

The policy relates individual remuneration to individual performance, the individual's position in the relevant salary market and the need for the organisation to retain and motivate the individual.

To give effect to this policy the Group reviews available information that measures the remuneration levels in the various labour markets in which it competes.

The expectation of the Group is that, for a particular grade of employee, the total fixed compensation will be at the median level of the relevant market.

Other than the issue of options, the directors do not currently receive performance related compensation, short or long term incentives, nor any other benefits.

14. REMUNERATION REPORT – AUDITED (continued)

Principles of Compensation (continued)

Fixed compensation
Fixed compensation consists of base compensation (which is calculated on a total cost basis), as well as employer contributions to superannuation funds.

Compensation levels are reviewed annually by the Board through a process that considers individual performance. In addition, if required, external consultants provide analysis and advice to ensure the director's compensation is competitive in the market place.

Short-term incentive
Directors may receive short-term incentives for the successful implementation of specific Board approved projects. No such projects or incentives were approved by the Board during the financial period.

Long-term incentive
Subject to shareholder approval, directors may receive options at various times for their ongoing commitment and contribution to the Group. 500,000 options were issued to the related party of a director during the financial period.

Consequences of performance on shareholder wealth
The overall level of key management personnel compensation takes into account the performance of the Company over a number of years, although no remuneration is directly linked with financial performance.

Performance in respect of the current financial year and the previous four financial years is detailed below:

Shareholder returns		6 months to	12 months to			
		31 Dec 2014	30 Jun 2014	30 Jun 2013	30 Jun 2012	30 Jun 2011
Net profit / (loss) attributable to equity holders	($)	(506,823)	321,234	(1,176,066)	(2,172,773)	(836,891)
Basic EPS	(cents)	(0.55)	0.38	(1.50)	(3.10)	(1.20)
Closing share price	(cents)	8.0	12.0	4.0	5.0	17.0

During the financial periods noted above, there were no dividends paid or other returns of capital made by the Company to its shareholders.

As the Group is still in the exploration phase of its operations and does not generate revenue, the financial performance set out in the table above is not a good indicator for determining appropriate levels of remuneration.

Service contracts
On 6 November 2013, a Deed of Executive Services was entered into with Gary Jeffery whereby Mr Jeffery is paid a total remuneration package of $200,000 per annum for 50% of his time, effective 1 November 2013. This comprises $100,000 cash and $100,000 in shares, such shares issued on a calendar quarterly basis with shareholder approval. The issue price of the shares is the mathematical average of the VWAP for the first 5 trading days in the calendar quarter and the VWAP for the last 5 trading days in the calendar quarter.

The contract can be terminated with three months' notice by Mr Jeffery or 6 months' notice by the Company.

14. REMUNERATION REPORT – AUDITED (continued)

Principles of Compensation (continued)

Executive and non-executive compensation
Mr Jeffery's directors fees are included as part of his service contract as Managing Director of the Company.

Total compensation for all non-executive directors, last voted upon by Shareholders at the 2005 AGM, is not to exceed $150,000 per annum. Non-executive chair and non-executive directors' fees are presently $40,000 and $30,000 per annum each.

Pursuant to a share plan approved by shareholders at a general meeting on 25 July 2014, 50% of director fees payable to Gary Jeffery and Keith Martens was satisfied in full by the issue of shares on a quarterly basis, as follows:

	Tranche	Value of services rendered (A) $	Fair value of shares at 30 June 2014 12 cents each (B) $	Fair value of shares on grant date 12.5 cents each (C) $	No. of Plan Shares issued	Date of Issue
Executive directors						
Gary Jeffery	1	16,667	20,000	20,833	166,667	31 Jul-14
	2	25,000	21,583	22,482	179,856	31 Jul-14
	3	25,000	26,087	27,174	217,391	31 Jul-14
	4	25,000	-	21,404	171,233	3 Oct-14
Non-executive directors						
Keith Martens	1	2,500	3,000	3,125	25,000	31 Jul-14
	2	3,750	3,237	3,372	26,978	31 Jul-14
	3	3,750	3,913	4,076	32,609	31 Jul-14
	4	3,750	-	3,211	25,685	3 Oct-14

(A) Reflects the contractual salary amounts that have been settled by the company in shares;

(B) Reflects the estimated fair value of shares to be issued to directors/executives at 30 June 2014; and

(C) Reflects the fair value of shares at the date the share plan was approved by shareholders on 25 July 2014 (grant date) and differs from the fair value at 30 June 2014 (B).

Tranches 1, 2 & 3 relate to the 3 month service period ended 31 December 2013, 31 March 2014 and 30 June 2014 respectively.

The movement between (B) and (C) for tranches 1 to 3 has been recorded in the current period as a true up based on the fair value of shares at grant date.

The pricing formula for the issue of shares to Keith Martens is the same as that for Gary Jeffery.

14. REMUNERATION REPORT – AUDITED (continued)

Principles of Compensation (continued)

Executive and non-executive compensation

Shares to be issued in lieu of accrued director fees for the 3 months ended 31 December 2014

	50% accrued at 31 December 2014 $	Number of Shares Issued, approved by shareholders	Fair value of shares at grant date 12.5 cents each $
Executive directors			
Gary Jeffery	25,000	165,563	20,696
Non-executive directors			
Keith Martens	3,750	24,834	3,104
	28,750	190,397	23,800

Non-executive directors do not receive performance related compensation. Directors' fees cover all main Board activities and include statutory superannuation (where appropriate). No fees are paid for committee membership.

Services from remuneration consultants
No remuneration consultants provided services during the year.

14. REMUNERATION REPORT – AUDITED (continued)

Directors' and senior executives' remuneration

Details of the nature and amount of each element of the compensation of each of the directors and key management personnel of the Company and the Group for the six months ended 31 December 2014 are shown below:

	Short-term employee benefits			Post-employment benefits	Share-based payments				
	Cash salary and fees $	Non-monetary benefits (A) $	Total $	Super-annnuation $	Shares (B) $	Options (C) $	Total $	% of remuneration performance based %	Value of options as % of remuneration %
Executive director									
Gary Jeffery	50,000	1,038	51,038	-	44,918	-	95,957	-	-
Non-executive directors									
Andrew Childs	20,000	1,039	21,039	-	-	-	21,039	-	-
Keith Martens	7,500	1,039	8,539	-	6,738	25,000	40,277	-	64.7
Total directors' remuneration	77,500	3,116	80,616	-	51,656	25,000	157,273	-	17.3

14. REMUNERATION REPORT – AUDITED (continued)

Directors' and senior executives' remuneration (continued)

Key Management Personnel remuneration for the twelve months ended 30 June 2014

	Short-term employee benefits			Post-employment benefits	Share-based payments				
	Total								
	Cash salary and fees	Non-monetary benefits (A)	Total	Super-annnuation	Shares (B)	Options (C)	Total	% of remuneration performance based	Value of options as % of remuneration
	$	$	$	$	$	$	$	%	%
Executive director									
Gary Jeffery	66,667	-	66,667	-	67,670	164,450	298,787	-	55.0
Non-executive directors									
Andrew Childs	40,000	-	40,000	-	-	65,780	105,780	-	62.2
Keith Martens	20,000	-	20,000	-	10,150	98,670	128,820	-	76.6
Total directors' remuneration	**126,667**	**-**	**126,667**	**-**	**77,820**	**328,900**	**533,387**	**-**	**61.7**

During the reporting period certain key management persons were paid for commercial, arms-length consulting services. The total quantum of these transactions as disclosed in note 26 of the notes to the consolidated financial statements was:

- Andrew Childs $22,500 (12 months to 30 June 2014: $93,450)
- Keith Martens $28,500 (12 months to 30 June 2014: $191,095)

14. REMUNERATION REPORT – AUDITED (continued)

Directors' and senior executives' remuneration (continued)

Notes in relation to the table of directors' remuneration

(A) Comprises Directors and Officers insurance premiums;

(B) Share based payments includes an amount of $23,800 (June 2014: $77,820), being the fair value of the shares to be issued in satisfaction of fees owing to Directors at 31 December 2014, however such shares were not issued until 14 January 2015. The accounting standards requires the recognition of services when received based on the grant date fair values and an estimate of the equity instruments to be issued at each reporting date;

(C) The fair value of options granted was determined using the Black-Scholes option pricing model;

(D) Directors fees for Gary Jeffery were paid to Dungay Resources Pty Ltd, a company associated with Gary Jeffery;

(E) Directors fees for Andrew Childs were paid by Resources Recruitment Pty Ltd, a company associated with Andrew Childs;

(F) Directors fees for Keith Martens were paid by Martens Petroleum Pty Ltd, a company associated with Keith Martens;

(G) The Group does not employ any executive officers other than the directors.

Analysis of bonuses included in remuneration – audited

No short-term incentive cash bonuses have been awarded as remuneration to Directors of the Group.

Equity instruments

Exercise of options granted as compensation
During the reporting period, no shares were issued on the exercise of options previously granted as compensation.

Analysis of movements in options
The movement during the reporting period, by value, of options over ordinary shares in the Company, held by directors and key management personnel is detailed below:

	Granted during 6 months to 31 December 2014 $ (A)	Value of options exercised in year $	Lapsed during 6 months to 31 December 2014 $ (B)
Executive directors			
Gary Jeffery	-	-	-
Non-executive directors			
Andrew Childs	-	-	54,000
Keith Martens	25,000	-	110,000

Notes in relation to the table on analysis of movements in options - audited

(A) The value of options granted in the year is the fair value of the options calculated at grant date using the Black Scholes option-pricing model. The total value of the options granted is included in the table above;

(B) The value of the options that lapsed during the year represents the benefit foregone and is calculated at the date the option lapsed using the Black Scholes option-pricing model assuming the performance criteria had been achieved.

14. REMUNERATION REPORT – AUDITED (continued)

Equity instruments (continued)

All options refer to options over ordinary shares of Australian Oil Company Limited, which are exercisable on a one-for-one basis.

Options and rights over equity instruments granted as compensation

Details of options over ordinary shares in the Company that were granted as compensation to each key management person of the Group are as follows:

	Number of options granted	Grant date	Fair value per option at grant date cents (per option)	% vested during 6 months to 31 December 2014 (A)	% lapsed during 6 months to 31 December 2014 (B)	Financial years in which grant vests	Exercise Price per option cents	Expiry date	Number of options vested during 6 months to 31 December 2014
Executive directors									
Gary Jeffery	5,000,000	29-Nov-13	3.29	100	-	2014	25	31-Dec-15	-
Non-executive directors									
Andrew Childs	3,000,000	28- Nov-12	1.80	100	100	2013	25	31-Dec-14	-
	2,000,000	29-Nov-13	3.29	100	-	2014	25	31-Dec-15	-
Keith Martens	1,000,000	14-Nov-11	2.00	100	100	2012	25	31-Dec-14	-
	5,000,000	14-Nov-11	1.80	100	100	2012	25	31-Dec-14	-
	3,000,000	29-Nov-13	3.29	100	-	2014	25	31-Dec-15	-
	500,000	31-Jul-14	5	100	-	31-Dec-14	25	31-Dec-16	500,000

(A) The percentage vested in the year represents the number of options that become unconditional due to the recipient satisfying specified vesting conditions (if any);

(B) The percentage lapsed in the year represents the reduction from the maximum number of options available to vest due to the expiration of the options.

14. REMUNERATION REPORT – AUDITED (continued)

Equity instruments (continued)

Options and rights over equity instruments

The movement during the reporting period in the number of options over ordinary shares in Australian Oil Company Limited held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2014	Granted as compensation	Exercised	Lapsed	Held at 31 December 2014	Vested during 6 months to 31 December 2014	Vested and exercisable at 31 December 2014
Directors							
Andrew Childs	5,000,000	-	-	(3,000,000)	2,000,000	-	2,000,000
Gary Jeffery	5,000,000	-	-	-	5,000,000	-	5,000,000
Keith Martens	9,000,000	500,000	-	(6,000,000)	3,500,000	500,000	3,500,000

	Held at 1 July 2013	Granted as compensation	Exercised	Exercised	Held at 30 June 2014	Vested during the year	Vested and exercisable at 30 June 2014
Directors							
Andrew Childs	3,000,000	2,000,000	-	-	5,000,000	2,000,000	5,000,000
Gary Jeffery	-	5,000,000	-	-	5,000,000	5,000,000	5,000,000
Keith Martens	6,000,000	3,000,000	-	-	9,000,000	3,000,000	9,000,000

14. REMUNERATION REPORT – AUDITED (continued)

Equity instruments (continued)

Movements in shares

The movement during the reporting period in the number of ordinary shares in Australian Oil Company Limited held directly, indirectly or beneficially, by each key management person, including their related parties, is as follows:

	Held at 1 July 2014	Purchases	* Other changes	Received on exercise of options	Sales	Held at 31 December 2014
Directors						
Andrew Childs	4,217,003	40,333	-	-	-	4,257,336
Gary Jeffery	920,000	-	735,147	-	-	1,655,147
Keith Martens	2,280,209	-	110,272	-	-	2,390,481

	Held at 1 July 2013	Purchases	* Other changes	Received on exercise of options	Sales	Held at 30 June 2014
Directors						
Andrew Childs	4,198,003	167,000	-	-	-	4,365,003
Gary Jeffery	-	-	920,000	-	-	920,000
Keith Martens	1,140,000	1,140,209	-	-	-	2,280,209

***** Other changes represent shares held on date of appointment or resignation or issued in lieu of director fees (see note 9).

845,419 shares were issued to key management personnel during the reporting period in lieu of director fees.

Key management personnel and director transactions

A number of key management personnel, or their related parties, hold positions in other companies that result in them having control or significant influence over these companies.

14. REMUNERATION REPORT – AUDITED (continued)

Key management personnel and director transactions (continued)

A number of these companies transacted with the Group during the period. The terms and conditions of these transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions to non-key management personnel related companies on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which they have control or significant influence were as follows:

			Transactions value		Balance outstanding	
		Note	Period ended 31 December 2014 $	Year ended 30 June 2014 $	As at 31 December 2014 $	As at 30 June 2014 $
Key management person	***Transaction***					
Andrew Childs	Consulting fees	(i)	22,500	93,450	-	-
Keith Martens	Consulting fees	(ii)	28,500	191,095	-	-
Gary Jeffery	Interest on loans		-	1,398	-	-
Andrew Childs	Interest on loans		-	1,601	-	-
Mark Ohlsson	Company Secretarial and accounting services		-	8,000		
Total and current liabilities					-	-

(i) The Group used the consulting services of Resources Recruitment, a company associated with Andrew Childs, in relation to advice on certain exploration activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;

(ii) The Group used the consulting services of Martens Petroleum Pty Ltd, a company associated with Keith Martens, in relation to advice on certain exploration activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;

Voting and comments at the Company's 2014 Annual General Meeting

The Company received more than 92% of "yes" votes on its remuneration report for the 30 June 2014 financial year. The Company did not receive any specific feedback at the annual general meeting or throughout the year on its remuneration practices.

This is the end of the Remuneration Report – Audited.

15. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration forms part of the directors' report for the six months ended 31 December 2014.

This Directors' report is made with a resolution of the directors.

GARY JEFFERY

Director

Dated at Perth, Western Australia this 31st day of March 2015.

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Auditor's Independence Declaration to the Directors of Australian Oil Company Limited

In relation to our audit of the financial report of Australian Oil Company Limited for the six months ended 31 December 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

R J Curtin
Partner
31 March 2015

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Australian Oil Company Limited (the Board) is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement outlines the main corporate governance practices, which comply with the Australian Securities Exchange (ASX) Corporate Governance Principles and Recommendations unless otherwise stated. All the practices, unless otherwise stated, were in place for the entire reporting period and are current as at the date of this report. The Board has approved the Corporate Governance Statement.

As required under ASX Listing Rule 4.10.3, the Group makes the following disclosures in relation to each of the Recommendations.

1. BOARD OF DIRECTORS

(a) Role of the Board and responsibilities

The primary role of the Board is to oversee and approve the Group's strategic direction, to oversee the Group's management and business activities and to report to shareholders. The roles and responsibilities of the Board are formalised in written policies. All documents can be accessed on the Company's website at www.australianoilcompany.com under the Corporate Governance section.

The Board evaluates these policies on an ongoing basis.

In addition to matters required by law to be approved by the Board, responsibilities include, but are not limited to:

- the establishment of the long term goals of the Company and strategic plans to achieve those goals;
- monitoring the achievement of those goals;
- the review of management accounts and reports to monitor the progress of the Company;
- the review and adoption of budgets for the financial performance of the Company and monitoring the results on a regular basis to assess performance;
- the review and approval of the annual and half-year financial reports;
- nominating and monitoring the external auditor;
- approving all significant business transactions;
- appointing and monitoring senior management;
- all remuneration, development and succession issues; and
- ensuring that the Company has implemented adequate systems of risk management and internal control together with appropriate monitoring of compliance activities.

Responsibility for management of the Company's day to day business activities is delegated to the Managing Director who is accountable to the Board.

1. BOARD OF DIRECTORS (continued)

(b) Board composition and expertise

The names of the directors of the Company in office at the date of the statement are set out in the directors' report. The directors' report also contains details of each director's skill, experience and education. The Board seeks to establish a Board that consists of directors with an appropriate range of experience, skill, knowledge and vision to enable it to operate the Company's business with excellence.

The Board currently comprises three directors - one executive director, one independent non-executive director and one non-executive director.

The Board reviews its composition as required to ensure that the Board has the appropriate mix of commercial and financial skills, technical expertise, industry experience, and diversity (including, but not limited to gender and age) for which the Board is looking to achieve in its membership. The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent director is given the opportunity to meet with each candidate on a one to one basis. The Board must undertake appropriate checks of all candidates for appointment to the Board. The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of shareholders. New Directors must be provided with a letter of appointment which sets out the key terms and conditions of appointment. New Directors must participate in an induction program to enable them to gain an understanding of the Company's strategic, financial, operational and risk management position.

(c) Retirement and re-election of directors

Pursuant to the Company's constitution the tenure of directors (other than the Managing Director) is subject to reappointment by shareholders not later than the third anniversary following his or her last appointment. A Managing Director may be appointed for any period and on any terms the Board thinks fit and, subject to the terms of any agreement entered into, the Board may revoke any such appointment as Managing Director.

(d) Independence of directors

The Board has reviewed the position and association of each of the three directors in office at the date of this report and considers that one director is independent. In considering whether a director is independent, the Board has regard to the independence criteria in ASX Corporate Governance Principles and Recommendations Principle 2 and other facts, information and circumstances that the Board considers relevant. The Board assesses the independence of new directors upon appointment and reviews their independence, and the independence of the other directors, as appropriate.

The Board considers that Mr Martens meets the criteria in Principle 2. He has no material business or contractual relationship with the Company, other than as a director, and no conflicts of interest which could interfere with the exercise of independent judgement. Accordingly, he is considered to be independent.

(e) Director education

The non-executive directors are given every opportunity to gain a better understanding of the business, the industry, and the environment within which the Group operates, and are given access to continuing education opportunities to update and enhance their skills and knowledge.

(f) Independent professional advice

Each director has the right of access to all relevant Company information and to the Company's executives and, subject to prior approval of the Chairperson, each director has the right to seek independent legal and other professional advice at the Company's expense concerning any aspect of the Company's operations or undertakings in order to fulfil their duties and responsibilities as directors.

1. BOARD OF DIRECTORS (continued)

(g) Board Performance Review

There is no formal appraisal system in place for Board performance on a director by director basis. The performance of all directors is assessed through review by the Board as a whole of a director's attendance at, and involvement in, Board meetings, their performance and other matters identified by the Board or other directors. Significant issues are actioned by the Board. Due to the Board's assessment of the effectiveness of these processes, the Board has not otherwise formalised measures of a director's performance.

The Company has not conducted a performance evaluation of the members of the Board during the reporting period. However, the Board conducts a review of the performance of the Company against budgeted targets on an ongoing basis.

(h) Conflict of Interest

Directors must keep the Board advised of any interest that could potentially conflict with those of the Company.

Directors are required to take into consideration any conflicts when accepting appointment to other boards.

(i) Directors' remuneration

Details of the Company's remuneration policies are included in the "Remuneration Report" section of the Directors' Report.

2. BOARD COMMITTEES

The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of separate committees at this time. The Board as a whole is able to address the governance aspects of the full scope of the Company's activities and to ensure that it adheres to appropriate ethical standards. As the Group's activities develop in size, nature and scope, the implementation of formal committees will be given further consideration.

3. MANAGING BUSINESS RISK

The Board believes that risk management and compliance are fundamental to sound management and that oversight of such matters is an important responsibility of the Board. The Group maintains policies and practices designed to identify and manage significant business risks, including:

- regular budgeting and financial reporting;
- procedures and controls to manage financial exposures and operational risks;
- the Company's business plan;
- corporate strategy guidelines and procedures to review and approve the Company's strategic plans; and
- insurance and programmes which are reviewed by the Board.

The Board reviews these systems and the effectiveness of their implementation annually and considers the management of risk at its meetings. The Company's risk profile is reviewed annually. The Board may consult with the Company's external auditors on external risk matters or other appropriately qualified external consultants on risk generally, as required.

3. MANAGING BUSINESS RISK (continued)

(a) Internal controls

Procedures have been established at the Board and executive management levels that are designed to safeguard the assets and interests of the Company, and to ensure the integrity of reporting. These include accounting, financial reporting and internal control policies and procedures. To achieve this, the directors perform the following procedures:

- ensure appropriate follow-up of significant audit findings and risk areas identified;
- review the scope of the external audit to align it with Board requirements; and
- conduct a detailed review of published accounts.

(b) CEO and CFO assurance on corporate reporting

The Board receives monthly management reports about the financial condition and operational results of the consolidated group. The Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent) annually provide a formal statement, in accordance with section 295A of the Corporations Act, to the Board that in all material respects and to the best of their knowledge and belief:

- the Company's financial reports present a true and fair view of the Company's financial condition and operational results and are in accordance with relevant accounting standards; and
- the Company's risk management and internal control systems are sound, appropriate and operating efficiently and effectively.

(c) Environmental regulation

The Company has a policy of at least complying, but in most cases exceeding, its environmental performance obligations. No environmental breaches have been notified by any Government agency during the six months ended 31 December 2014.

4. ETHICAL STANDARDS

All directors and executives are expected to act with the utmost integrity and objectivity, striving at all times to enhance the performance and reputation of the Company and its controlled entities.

(a) Code of Conduct

In pursuit of the highest ethical standards, the Company has adopted a Code of Conduct which establishes the standards of behaviour required of directors and employees in the conduct of the Company's affairs. This Code is provided to all directors and employees. The Board monitors implementation of this Code. Unethical behaviour is to be reported to the Chairperson as soon as practicable.

The Code of Conduct is based on respect for the law, and acting accordingly, dealing with conflicts of interest appropriately, using the consolidated entity's assets responsibly and in the best interests of the Company, acting with integrity, being fair and honest in dealings, treating other people with dignity and being responsible for actions and accountable for the consequences.

The Group has advised each director, manager and employee that they must comply with the Group's Ethical Standards.

4. ETHICAL STANDARDS (continued)

(b) Trading in Company securities by directors and employees

The Board has adopted a policy in relation to dealings in the securities of the Company which applies to all directors and employees. Under the policy, directors are prohibited from short term or "active" trading in the Company's securities and directors and employees are prohibited from dealing in the Company's securities whilst in possession of price sensitive information. The Chairman (or in his place the Managing Director) must also be notified and approve any proposed transaction.

No trading shall take place in the period of 5 business days before the release of quarterly reports or the release of half yearly and annual accounts (closed periods).

There are no exceptional circumstances in which trading may take place during a closed period.

This policy is provided to all directors and employees. Compliance with it is reviewed on an ongoing basis in accordance with the Company's risk management systems.

5. DIVERSITY POLICY

The Company has established a Diversity Policy which provides the written framework and objectives for achieving a work environment that values and utilises the contributions of employees' backgrounds, experiences, and perspectives, irrespective of gender, age, ethnicity and cultural background. The Board is responsible for developing, where possible, measurable objectives and strategies to support the framework and objectives of the Diversity Policy. The Board is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanisms.

The key elements of the diversity policy are as follows:

- increased gender diversity throughout the Group when a position becomes available;
- annual assessment of the board gender diversity objectives and performance against objectives.

Due to size of the Company and there being no current need to increase staff levels, there has been limited opportunity to implement the diversity policy in its entirety. As a result, the Company has not yet met its objectives. However, the Company outsources its corporate and accounting services to Broadway Management (WA) Pty Ltd where 75% of its employees are represented by female members. Should a Board position become vacant, the Company will endeavour to fill any new board appointment or key management personnel position with a suitably qualified female applicant.

Pursuant to *Recommendation 3.4* of the Recommendations, the Company discloses the following information as at the date of this report:

	31 December 2014		30 June 2014	
Gender representation	**Women**	**Men**	**Women**	**Men**
Group representation	0%	100%	0%	100%
Senior management representation	0%	100%	0%	100%
Board representation	0%	100%	0%	100%
Corporate services provider representation	75%	25%	75%	25%

6. COMMUNICATION WITH SHAREHOLDERS

The Board aims to ensure that shareholders are kept informed of all major developments affecting the Company. Information is communicated to shareholders as follows:

- as the Company is a disclosing entity, regular announcements are made to the Australian Securities Exchange in accordance with the Company's continuous disclosure policy, including quarterly reports, half-year reviewed accounts, year-end audited accounts and an annual report;
- The Board ensures the annual report includes relevant information about the operations of the Company during the year, changes in the state of affairs and details of future developments;
- shareholders are advised in writing of key issues affecting the Company;
- any proposed major changes in the Company's affairs are submitted to a vote of shareholders, as required by the Corporations Act 2001;
- the Board encourages full participation of shareholders at any shareholder meeting to ensure a high level of accountability and identification of the Company's strategies and goals. All shareholders who are unable to attend these meetings are encouraged to complete a proxy form or ask questions by writing to the Company; and
- the external auditor is required to attend the annual general meetings to answer any questions concerning the audit and the content of the auditor's report.

The Board reviews this policy and compliance with it on an ongoing basis.

(a) Continuous Disclosure

The Company has in place a continuous disclosure policy, a copy of which is provided to all Company officers and employees who may from time to time be in the possession of undisclosed information that may be material to the price or value of the Company's securities.

The continuous disclosure policy aims to ensure timely compliance with the Company's continuous disclosure obligations under the Corporations Act 2001 (Cth) and ASX Listing Rules and ensures officers and employees of the Company understand these obligations.

The procedure adopted by the Company is essentially that any information which may need to be disclosed must be brought to the attention of the Chairperson, who in consultation with the Board (where practicable) and any other appropriate personnel, will consider the information and whether disclosure is required and prepare an appropriate announcement.

At least once in every 12 month period, the Board will review the Company's compliance with this continuous disclosure policy and update it from time to time, if necessary.

ASX PRINCIPLES COMPLIANCE STATEMENT

Pursuant to the ASX Listing Rules, the Company advises that it does not comply with the following Corporate Governance Principles and Recommendations, issued by the ASX Corporate Governance Council. Reasons for the Company's non-compliance are detailed below.

Recommendation 2.1

A majority of the Board should be independent directors

Recommendation 4.2

The audit and risk management committee should be structured so that it:

- *consists of a majority of independent directors*
- *is chaired by an independent chair, who is not chair of the Board*
- *has at least three members*

Recommendation 8.2

The remuneration and nomination committee should be structured so that it:

- *consists of a majority of independent directors*
- *has at least three members*

One of the three directors is independent. In view of the size of the Company and the nature of its activities, the Board considers that the current Board structure is a cost effective and practical means of directing and managing the Company.

While the ASX Principles recommend an ideal structure for the audit and risk management and remuneration and nomination committees, they recognise that for smaller Boards it may not be possible to implement such a structure.

Given the size, scale and nature of the Company's business, the Board does not consider the non-compliance with these ASX Principles to be materially detrimental to the Company.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	31 December 2014 $	30 June 2014 $
Assets			
Cash and cash equivalents	14	118,644	1,199,527
Other receivables	11	223,185	107,544
Prepayments	12	27,236	409
Available for sale financial assets	13	173	173
Total current assets		369,238	1,307,653
Exploration and evaluation expenditure	15	2,509,826	1,460,241
Other receivables	11	3,678	3,185
Total non-current assets		2,513,504	1,463,426
Total assets		2,882,742	2,771,079
Liabilities			
Trade and other payables	16	143,570	46,750
Employee benefits	17	68,750	-
Liability to carry joint venture partner	23	78,546	78,546
Total current liabilities		290,866	125,296
Provision for restoration	18	329,664	204,374
Total non-current liabilities		329,664	204,374
Total liabilities		620,530	329,670
Net assets		2,262,212	2,441,409
Equity			
Issued capital	19(a)	10,689,003	10,586,555
Reserves		707,888	791,710
Accumulated losses		(9,134,679)	(8,936,856)
Total equity attributable to equity holders of the Company		2,262,212	2,441,409

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Note	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Production revenue		91,420	408,971
Gain on sale of exploration asset		-	1,750,000
Production expense		(72,221)	(245,185)
Administrative expenses	6	(266,942)	(674,000)
Other expenses	6	(235,694)	(299,828)
Impairment of investment in associate	23	(22,321)	(164,058)
Exploration expenditure written off		-	(443,263)
Loss on sale of financial assets		-	(300)
Results from operating activities		(505,758)	332,337
Finance income	7	646	2,479
Finance expense	7	-	(6,069)
Net finance income / (expense)		646	(3,590)
(Loss) / profit before income tax		(505,112)	328,747
Income tax expense		(1,711)	(7,513)
(Loss) / profit from continuing operations		(506,823)	321,234
(Loss) / profit for the period / year		(506,823)	321,234
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Total items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Changes in fair value on equity instruments measured at fair value through other comprehensive income		-	(402)
Foreign currency translation difference of foreign operations		254,198	(50,486)
Total items that may be reclassified subsequently to profit or loss		254,198	(50,888)

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR SIX MONTHS ENDED 31 DECEMBER 2014 (continued)

	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Other comprehensive income / (expense) for the period / year, net of income tax	254,198	(50,888)
Total comprehensive (loss) / income for the period / year	(252,625)	270,346
(Loss) / Profit for the period / year is attributable to:		
Owners of the parent	(506,823)	321,234
Non-controlling interests	-	-
	(506,823)	321,234
Total comprehensive (loss) / income for the period / year is attributable to:		
Owners of the parent	(252,625)	270,346
Non-controlling interests	-	-
	(252,625)	270,346
(Loss) / earnings per share		
Basic and diluted (cents per share)	(0.55)	0.38

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Attributable to equity holders of the Company						
	Share Capital	Investment revaluation reserve	Translation reserve	Options reserve	Share-based payments reserve	Accumulated losses	Total
	$	$	$	$	$	$	$
Balance at 1 July 2014	10,586,555	108	26,547	687,235	77,820	(8,936,856)	2,441,409
Total comprehensive income for the period							
Loss after income tax for the period	-	-	-	-	-	(506,823)	(506,823)
Other comprehensive income for the period							
Foreign exchange translation difference on foreign operations	-	-	254,198	-	-	-	254,198
Total other comprehensive income for the period	-	-	254,198	-	-	-	254,198
Total comprehensive income / (loss) for the period	-	-	254,198	-	-	(506,823)	(252,625)

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014 (continued)

	Attributable to equity holders of the Company						
	Share Capital	Investment revaluation reserve	Translation reserve	Options reserve	Share-based payments reserve	Accumulated losses	Total
	$	$	$	$	$	$	$
Transactions with owners, recorded directly in equity:							
Contributions by and distributions to owners							
Issue of 845,419 shares at 12.5 cents each in lieu of directors' fees	105,676	-	-	-	(77,820)	-	27,856
Expired options	-	-	-	(309,000)	-	309,000	-
Share-based payment transactions	-	-	-	25,000	23,800	-	48,800
Capital raising costs	(3,228)	-	-	-	-	-	(3,228)
Total contributions by and distributions to owners	102,448	-	-	(284,000)	(54,020)	309,000	73,428
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-
Total transactions with owners	102,448	-	-	(284,000)	(54,020)	309,000	73,428
Balance at 31 December 2014	10,689,003	108	280,745	403,235	23,800	(9,134,679)	2,262,212

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014

	Attributable to equity holders of the Company						
	Share Capital	Investment revaluation reserve	Translation reserve	Options reserve	Share-based payments reserve	Accumulated losses	Total
	$	$	$	$	$	$	$
Balance at 1 July 2013	9,434,888	510	77,033	441,248	-	(9,390,338)	563,341
Total comprehensive income for the year							
Profit after income tax for the year	-	-	-	-	-	321,234	321,234
Other comprehensive income for the year							
Change in fair value of equity instruments measured at fair value through other comprehensive income	-	(402)	-	-	-	-	(402)
Foreign exchange translation difference on foreign operations	-	-	(50,486)	-	-	-	(50,486)
Total other comprehensive loss for the year	-	(402)	(50,486)	-	-	-	(50,888)
Total comprehensive income / (loss) for the year	-	(402)	(50,486)	-	-	321,234	270,346

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2014 (continued)

	Attributable to equity holders of the Company						
	Share Capital	Investment revaluation reserve	Translation reserve	Options reserve	Share-based payments reserve	Accumulated losses	Total
	$	$	$	$	$	$	$
Transactions with owners, recorded directly in equity:							
Contributions by and distributions to owners							
Issue of 250,000 shares at 9.7 cents each in lieu of directors' fees	24,250	-	-	-	-	-	24,250
Placement of 11,930,326 shares at 10 cents each	1,193,033	-	-	-	-	-	1,193,033
Expired options	-	-	-	(132,248)	-	132,248	-
Share-based payment transactions	-	-	-	378,235	77,820	-	456,055
Capital raising costs	(65,616)	-	-	-	-	-	(65,616)
Total contributions by and distributions to owners	1,151,667	-	-	245,987	77,820	132,248	1,607,722
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-
Total transactions with owners	1,151,667	-	-	245,987	77,820	132,248	1,607,722
Balance at 30 June 2014	10,586,555	108	26,547	687,235	77,820	(8,936,856)	2,441,409

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

	Note	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Cash flows from operating activities			
Production revenue		-	327,723
Payments to suppliers and employees		(288,265)	(770,542)
Interest received		646	2,479
Income taxes paid		(1,711)	(7,513)
Net cash used in operating activities	14(b)	(289,330)	(447,853)
Cash flows from investing activities			
Investment in associates		(22,321)	(115,399)
Payments for exploration expenditure		(763,794)	(1,131,095)
Proceeds from sale of exploration assets		-	1,750,000
Net cash (used in) / from investing activities		(786,115)	503,506
Cash flows from financing activities			
Proceeds from issue of shares and options		-	1,193,033
Payment of capital raising costs		(3,228)	(65,616)
Proceeds from borrowings		-	219,927
Repayment of borrowings		-	(219,927)
Payment of transaction costs related to borrowings		-	(6,069)
Net cash (used in) / from financing activities		(3,228)	1,121,348
Net (decrease) / increase in cash and cash equivalents		(1,078,673)	1,177,001
Cash and cash equivalents at 1 July		1,199,527	34,427
Effect of exchange rate fluctuations on cash and cash equivalents		(2,210)	(11,901)
Cash and cash equivalents at 31 December / 30 June	14(a)	118,644	1,199,527

The notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2014

1. REPORTING ENTITY

Australian Oil Company Limited (the "Company") is domiciled in Australia. The Company's registered office is at Level 2, 55 Carrington Street, Nedlands, Western Australia, 6009. These consolidated financial statements comprise the Company and its subsidiaries (collectively the "Group" and individually as "Group Entities").

The Group is a for-profit entity and is primarily involved in gas exploration in the United States of America.

The Company has changed its financial year end date from 30 June to 31 December and this has necessitated the presentation of an "annual report" for the six month transitional financial period ended 31 December 2014.

2. BASIS OF ACCOUNTING

The consolidated financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards ("AASBs") adopted by the Australian Accounting Standards Board ("AASB") and the Corporations Act 2001. The consolidated financial statements also comply with International Financial Reporting Standards (IFRS's) adopted by the International Accounting Standards Board (IASB).

The consolidated financial statements were authorised for issue by the Board of the Directors on 31 March 2015.

Details of the Group's accounting policies, including changes during the year, are included in notes 32 and 33.

(a) Going Concern

The Group recorded a loss of $506,823 and had cash outflows from operating and investing activities of $1,075,444 for the six months period ended 31 December 2014. The Group had cash and cash equivalents at 31 December 2014 and 24 March 2015 of $118,644 and $76,545 respectively.

The Group's cash flow forecast for the period to 31 March 2016 reflects that the Group will need to raise additional funds immediately to enable it to meet its working capital requirements and its committed and planned development expenditure in connection with its exploration and evaluation assets. The directors have provided written undertakings to provide working capital to the Group (on a needs basis) to enable it to settle its debts as and when they fall due from the date of this financial report until such time the Group has raised capital which, in the opinion of the Board, is sufficient for a period of 12 months. The undertaking will expire should the current board composition change or in the event of a change in control of the Company.

The Directors have been in discussions with a number of interested parties in relation to funding the Group's working capital requirements and its committed and planned development expenditure in connection with its assets. The Directors are satisfied that they will be able to raise additional capital as required and thus it is appropriate to prepare the financial statements on a going concern basis.

In the event that the Group is unable to raise additional funds to meet the Group's planned development expenditure when required, there is a significant uncertainty as to whether the Group will be able to meet its debts as and when they fall due and thus continue as a going concern.

The financial statements do not include any adjustments relating to the recoverability and classification of recorded asset amounts, nor to the amounts or classification of liabilities that might be necessary should the Group not be able to continue as a going concern.

3. FUNCTIONAL AND PRESENTATION CURRENCY

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

4. USE OF ESTIMATES AND JUDGEMENTS

The preparation of the consolidated financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions of accounting estimates are recognised prospectively.

(a) Judgements, assumptions and estimation uncertainties

Information about judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the consolidated financial statements and information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2014 are included in the following notes:

(i) Note 2(a) - Going concern

(ii) Note 9 - Share-based payments

(iii) Note 10 - Recognition of tax losses

(iii) Note 15 - Capitalised exploration and evaluation costs

(iv) Note 18 – Site restoration provision

(b) Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurable date. Fair value for measurement and / or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of AASB 2, leasing transactions that are within the scope of AASB 117, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in AASB 2 or value in use in AASB 136.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurable date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Further information about the assumptions made in measuring fair values is included in note 21.

5. OPERATING SEGMENTS

Information about reportable segments

The Group has identified its operating segments on the internal reports that are reviewed and used by the Board of Directors (chief operating decision makers) in assessing performance and determining the allocation of resources.

The Group currently operates in one operating segment being gas exploration and evaluation.

Reportable segments disclosed are based on aggregating tenements where the evaluation and exploration interests are considered to form a single project. This is indicated by:

- having the same ownership structure;
- exploration being focused on the same mineral or type of mineral; and
- exploration programs targeting the tenements as a group, indicated by the use of the same exploration team shared geological data and knowledge across the tenements.

Unless otherwise stated, all amounts reported to the Board of Directors as the chief decision maker with respect to operating tenements, are determined in accordance with AASB 8 *Operating Segments.*

Reconciliation of reportable segment loss, assets and liabilities and other material items

	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Profit / (loss) before income tax		
Total profit for reportable segments	276,533	1,264,698
Central administration and directors' remuneration	(782,291)	(932,361)
Finance expense	-	(6,069)
Finance income	646	2,479
Consolidated (loss) / profit before income tax	(505,112)	328,747
Assets		
Total assets for reportable segments	2,622,217	1,539,410
Cash and cash equivalents	118,644	1,199,527
Other assets	141,881	32,142
Consolidated total assets	2,882,742	2,771,079
Liabilities		
Total liabilities for reportable segments	(408,210)	(282,920)
Employee benefits	(68,750)	-
Other liabilities	(143,570)	(46,750)
Consolidated total liabilities	(620,530)	(329,670)

5. OPERATING SEGMENTS (continued)

Geographic information

The Group operates in two principal geographical areas – the USA and Australia. The Group's production revenue and information about its segment assets (non-current assets excluding investments in associates and other financial assets) by geographical location are detailed below:

	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Production revenue		
USA	91,420	408,971
Australia	-	-
	91,420	408,971
Non-current assets		
USA	2,509,826	1,460,241
Australia	3,678	3,185
	2,513,504	1,463,426

Non-current assets excludes financial instruments, deferred tax assets, construction contracts in progress and employee benefit assets.

6. INCOME AND EXPENSE

Loss before income tax from continuing operations includes the following specific expenses:

	Note	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Administrative expenses			
Directors and executives remuneration	26(a)	157,273	548,387
Advertising and publicity		2,914	7,973
Communication and information services		3,908	6,607
Travelling expenses		39,755	54,553
Office administration		39,251	3,626
Bank charges		857	1,019
Share registry and statutory fees		22,984	51,835
		266,942	674,000
Other expenses			
Professional fees		143,121	220,441
Net foreign exchange rate fluctuations on cash held		1,773	22,109
Net foreign exchange rate fluctuations on trade creditors		5,035	76
Increase in provision for site rehabilitation	18	85,765	57,202
		235,694	299,828

7. FINANCE INCOME AND EXPENSE

	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Interest income on bank deposits	646	2,479
Other borrowing costs	-	(6,069)
Net finance (expense) / income recognised in consolidated profit or loss	646	(3,590)

8. EARNINGS / (LOSS) PER SHARE

(a) Basic earnings / (loss) per share

The calculation of basic earnings / (loss) per share at 31 December 2014 was based on the loss attributable to ordinary shareholders of ($506,823) (12 months to 30 June 2014: profit of $321,234) and a weighted average number of ordinary shares outstanding of 92,104,924 (12 months to 30 June 2014: 83,930,402) calculated as follows:

Loss attributable to ordinary shareholders (basic)

	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
(Loss) / profit for the period	(506,823)	321,234

Weighted average number of ordinary shares (basic)

	6 months ended 31 December 2014 Number	12 months ended 30 June 2014 Number
Issued ordinary shares at 1 July	91,465,838	79,285,512
Effect of shares issued during the period	639,086	4,644,890
	92,104,924	83,930,402

(b) Diluted loss per share

The calculation of diluted loss per share at 31 December 2014 has been based on the loss attributable to ordinary shareholders and weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares.

Weighted average number of ordinary shares (diluted)

	6 months ended 31 December 2014 Number	12 months ended 30 June 2014 Number
Weighted average number of ordinary shares (basic)	92,104,924	83,930,402
Effect of share options on issue	-	-
	92,104,924	83,930,402

At 31 December 2014, 12,000,000 options (30 June 2014: 28,000,000 options) were excluded from diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

9. SHARE-BASED PAYMENT PLANS

(a) Description of the share-based payment arrangements

At 31 December 2014 the Group has the following share-based payment arrangements:

		6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
(i)	Shares issued in lieu of deferred director fees	27,856	24,250
(ii)	Shares to be issued in lieu of deferred director fees	23,800	77,820
(iii)	Options issued to directors, employees and consultants	25,000	378,235

(i) Shares issued in lieu of deferred director fees

At a general meeting on 25 July 2014, shareholders approved a share plan to issue shares in satisfaction of 50% of deferred director fees. At 31 December 2014, 50% of director fees had been satisfied in full by the issue of shares, as follows:

	Tranche	Value of services rendered (A) $	Fair value of shares at 30 June 2014 12 cents each (B) $	Fair value of shares on grant date 12.5 cents each (C) $	No. of Plan Shares issued	Date of Issue
Executive directors						
Gary Jeffery	1	16,667	20,000	20,833	166,667	31 Jul-14
	2	25,000	21,583	22,482	179,856	31 Jul-14
	3	25,000	26,087	27,174	217,391	31 Jul-14
	4	25,000	-	21,404	171,233	3 Oct-14
Non-executive directors						
Keith Martens	1	2,500	3,000	3,125	25,000	31 Jul-14
	2	3,750	3,237	3,372	26,978	31 Jul-14
	3	3,750	3,913	4,076	32,609	31 Jul-14
	4	3,750	-	3,211	25,685	3 Oct-14

(A) Reflects the contractual salary amounts that have been settled by the company in shares;

(B) Reflects the estimated fair value of shares to be issued to directors/executives at 30 June 2014; and

(C) Reflects the fair value of shares at the date the share plan was approved by shareholders on 25 July 2014 (grant date) and differs from the fair value at 30 June 2014 (B).

Tranches 1, 2 & 3 relate to the 3 month service period ended 31 December 2013, 31 March 2014 and 30 June 2014 respectively.

The movement between (B) and (C) for tranches 1 to 3 has been recorded in the current period as a true up based on the fair value of shares at grant date.

The pricing formula for the issue of shares to Keith Martens is the same as that for Gary Jeffery.

9. SHARE-BASED PAYMENT PLANS (continued)

(a) Description of the share-based payment arrangements (continued)

(ii) Shares to be issued in lieu of accrued director fees

	50% accrued at 31 December 2014 $	Number of Shares Issued, approved by shareholders	Fair value of shares at grant date 12.5 cents each $
Executive directors			
Gary Jeffery	25,000	165,563	20,696
Non-executive directors			
Keith Martens	3,750	24,834	3,104
	28,750	190,397	23,800

(iii) Equity-settled share option programme

The board established an Employee Option Plan whereby the board may offer free options to persons ("Eligible Persons") who are:

- full time or part time employees (including a person engaged by the Group under a consultancy agreement); or
- directors' of the Group based on a number of criteria including contribution to the Group, period of employment, potential contribution to the Group in the future and other factors the board considers relevant.

Options granted under the plan carry no dividend or voting rights.

When exercisable, each option is converted into one ordinary share within fourteen days after the receipt of a properly executed notice of exercise and application monies. The Group will issue to the option holder, the number of shares specified in that notice. The Group will apply for official quotation of all shares issued and allotted pursuant to the exercise of the options.

Options may not be transferred other than to an associate of the holder.

On 30 July 2014, the Company issued 500,000 options to a related party of Keith Martens with a calculated value of 5 cents each. The value of each tranche of options is recognised as directors' remuneration over their respective vesting rights.

The fair value of services received for share options granted is based on the fair value of options granted, measured using the Black-Scholes formula.

(b) Terms and conditions of share-option programme

The key terms and conditions relating to the grant of existing share options are as follows. All options are to be settled by the physical delivery of shares.

Tranche	Grant date	Number of instruments	Vesting Conditions	Expiry date	Contractual life of options
1	29 Nov-13	11,500,000	Vested upon granting	31-Dec-15	2.092 years
2	30-Jul-14	500,000	Vested upon granting	31-Dec-16	2.425 years
		12,000,000			

9. SHARE-BASED PAYMENT PLANS (continued)

(c) Inputs for measurement of grant date fair values

The fair value of services received in return for share options granted was based on the fair value of share options on the date granted, measured using the Black-Scholes options pricing model.

The expected price volatility was estimated by considering historic average share price volatility, if available, (based on the remaining life of the options), adjusted for any expected changes to future volatility due to publicly available information and volatility within the mining industry. The inputs used in the measurement of the fair values at grant date of the share based payment plans are the following:

Fair value of share options and assumptions	**Tranche 1**	**Tranche 2**
Fair value at grant date	3.29 cents	5 cents
Share price	10 cents	12 cents
Exercise price	25 cents	25 cents
Expected volatility	100%	105%
Option life	2.09 years	2.42 years
Vesting period	-	-
Risk free rate	2.71%	2.53%

(d) Reconciliation of outstanding share options

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 31 December 2014	**Number of Options 31 December 2014**	**Weighted average exercise price 30 June 2014**	**Number of Options 30 June 2014**
Outstanding at 1 July	25 cents	28,000,000	25 cents	16,500,000
Granted during the year	25 cents	500,000	25 cents	11,500,000
Expired during the year	-	(16,500,000)	-	-
Outstanding at 31 December / 30 June	25 cents	12,000,000	25 cents	28,000,000
Exercisable at 31 December / 30 June	25 cents	12,000,000	25 cents	28,000,000

The options outstanding at 31 December 2014 have an exercise price of 25 cents (30 June 2014: 25 cents) and a weighted average contractual life of 1.04 years (30 June 2014: 0.91 years).

500,000 options were granted during the period (30 June 2014: 11,500,000 options granted).

16,500,000 options expired during the period (30 June 2014: nil options expired).

9. SHARE-BASED PAYMENT PLANS (continued)

(e) Amount expensed to profit and loss

	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Director and senior executives' remuneration	76,656	406,720
Administration fees	-	49,335
	76,656	456,055

10. INCOME TAX EXPENSE

(a) Amounts recognised in profit or loss

	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Current tax expense		
Current period	-	-
Adjustments recognised for prior periods	1,711	7,513
	1,711	7,513
Deferred tax expense		
Origination and reversal of temporary differences	-	-
Total expense on continuing operations	1,711	7,513

(b) Reconciliation of effective tax rate

Profit / (loss) for the year	(506,823)	321,234
Total income tax expense	1,711	7,513
Profit / (loss) excluding income tax	(505,112)	328,747
Income tax using the Company's domestic tax rate of 30% (30 June 2014: 30%)	(151,534)	98,624
Non-deductible expenses	31,768	297,488
Temporary movement not brought to account	-	(525,000)
Current year tax losses not brought to account	75,822	108,919
Change in unrecognised temporary differences	43,944	19,969
	-	-

10. INCOME TAX EXPENSE (continued)

(b) Reconciliation of effective tax rate (continued)

	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Tax losses		
Unused tax losses for which no deferred tax asset has been recognised	4,957,003	4,747,823
Potential tax benefit at 30% (30 June 2014: 30%)	1,487,101	1,424,347

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of $1,487,101 (30 June 2014: $1,424,347) attributable to tax losses have not been brought to account because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

The benefit of these tax losses will only be obtained if:

i) future assessable income is derived of a nature and of an amount sufficient to enable the benefit to be realised;

ii) the conditions for deductibility imposed by tax legislation continue to be complied with;

iii) no changes in tax legislation adversely affect the Company in realising the benefit; and

iv) satisfaction of either the continuity of ownership or the same business test.

(c) Unrecognised deferred tax assets and liabilities

Unrecognised deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities		Net	
	31 Dec 2014 $	30 June 2014 $	31 Dec 2014 $	30 June 2014 $	31 Dec 2014 $	30 June 2014 $
Black hole deductible costs – P&L	16,878	6,708	-	-	16,878	6,708
Black hole deductible costs – Equity	14,652	15,748	-	-	14,652	15,748
Trade and other payables	6,300	6,300	-	-	6,300	6,300
Employee benefits	20,625	-	-	-	20,625	-
Carry forward tax losses	1,487,101	1,424,347	-	-	1,487,101	1,424,347
Net tax assets / (liabilities)	1,545,556	1,453,103	-	-	1,545,556	1,453,103

The Group does not recognise deferred tax assets as it is not probable that sufficient taxable amounts will be available in future periods against which the DTA's could be offset.

11. OTHER RECEIVABLES

	31 December 2014 $	30 June 2014 $
Security deposit	3,678	3,185
Net production revenue receivable	112,391	79,169
GST and PAYG receivable	30,634	28,375
Other receivables	80,160	-
	226,863	110,729
Current	223,185	107,544
Non-current	3,678	3,185
	226,863	110,729

Information about the Group's exposure to credit and market risks is included in note 21(b).

12. PREPAYMENTS

	31 December 2014 $	30 June 2014 $
Current		
Insurance	13,916	-
Australian Securities Exchange	13,117	-
Subscriptions and conference registrations	203	409
	27,236	409

13. FINANCIAL ASSETS

	31 December 2014 $	30 June 2014 $
Current available-for-sale financial assets		
Listed investments, at fair market value	173	173
Opening balance	173	875
Disposals	-	(300)
Adjustment to fair value	-	(402)
	173	173

Available-for-sale financial assets comprise investments in the ordinary issued capital of various listed entities. There are no fixed returns or fixed maturity date attached to these investments. The fair value of available-for-sale investments have been determined directly by reference to published price quotations in an active market.

14. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 21.

	31 December 2014 $	30 June 2014 $
Cash in hand and at bank	118,644	1,199,527

The perceived credit risk is low as cash and cash equivalents are with authorised deposit taking institutions.

14. CASH AND CASH EQUIVALENTS (continued)

(b) Reconciliation of cash flows from operating activities

	Note	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Cash flows from operating activities			
Profit / (loss) for the period		(506,823)	321,234
Adjustments for:			
Foreign exchange rate fluctuations on cash held		1,773	22,109
Finance expense on borrowings		-	6,069
Equity-settled share based payments	9(a)	76,656	456,055
Impairment of investment in associate		22,321	164,058
Gain / loss on sale of exploration assets		-	(1,750,000)
Impairment of available for sale asset		-	300
Increase in provision for site rehabilitation		85,765	57,202
Exploration expenditure written off		-	443,263
		(320,308)	(279,710)
Change in operating assets and liabilities:			
Change in other receivables		(21,458)	(110,696)
Change in trade and other payables		10,512	(57,038)
Change in prepayments		(26,826)	(409)
Change in employee benefits		68,750	-
Cash used in operating activities		(289,330)	(447,853)
Interest paid		-	-
Income taxes paid		-	-
Net cash used in operating activities		(289,330)	(447,853)

15. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	31 December 2014 $	30 June 2014 $
Exploration and evaluation phases	2,509,826	1,460,241
Movements in carrying amounts		
Consolidated entity:		
Opening balance	1,460,241	872,691
Acquisitions	187,040	-
Additions	582,890	1,072,580
Written off	-	(443,263)
Effects of foreign exchange	279,655	(41,767)
Closing balance	2,509,826	1,460,241

Oil and gas leases over the Group's various exploration projects are in the name of the relevant Australian Oil Company Limited subsidiary company or are held by the operator of the projects with the operator recognising that the relevant Australian Oil Company Limited subsidiary company has a beneficial interest in the project whilst they continue to meet the pro-rata share of costs.

The ultimate recovery of capitalised exploration and evaluation expenditure is primarily dependent upon the successful development and commercial exploitation, or alternatively, sale of the areas of interest.

16. TRADE AND OTHER PAYABLES

	31 December 2014 $	30 June 2014 $
Current		
Trade payables	107,323	13,636
Non-trade payables and accrued expenses	36,247	33,114
	143,570	46,750

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 21.

17. OTHER EMPLOYEE BENEFITS

	31 December 2014 $	30 June 2014 $
Current		
Accrued directors' fees	68,750	-

18. SITE RESTORATION PROVISION

Site restoration provision	329,664	204,374
Movements in carrying amounts		
Balance at 1 July	204,374	140,000
Increase in provision	85,765	57,202
Effects of foreign exchange	39,525	7,172
Balance at 31 December / 30 June	329,664	204,374

This provision represents the present value of the rehabilitation costs of the Sacramento Basin onshore California area of interest. The timing of rehabilitation expenditure is dependent on the life of oil field, which may vary in future. The nature of restoration activities includes restoration, reclamation and revegetation of affected areas.

19. CAPITAL AND RESERVES

(a) Share capital

	Ordinary shares			
	Number		Amount	
	6 months ended 31 December 2014 shares	12 months ended 30 June 2014 shares	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
On issue at 1 July	**91,465,838**	**79,285,512**	**10,586,555**	**9,434,888**
Issue of shares at 9.7 cents each in lieu of director fees	-	250,000	-	24,250
Placement of fully paid ordinary shares at 10 cents each	-	11,930,326	-	1,193,033
Issue of shares at 12.5 cents each in lieu of director fees	845,419	-	105,676	-
Capital raising costs	-	-	(3,228)	(65,616)
On issue at 31 December / 30 June	**92,311,257**	**91,465,838**	**10,689,003**	**10,586,555**

19. CAPITAL AND RESERVES (continued)

(b) Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. Option holders cannot participate in any new share issues by the Company without exercising their options.

In the event of a winding up of the Company, ordinary shareholders rank after all other shareholders and creditors and are fully entitled to any proceeds on liquidation.

All issued shares are fully paid.

The Company has also issued share options (see note 9).

(c) Nature and purpose of reserves

Options reserve
The options reserve represents the cost of options that have been granted as share-based payments but not exercised. This reserve will be transferred to capital should these options be exercised or reversed through profit and loss should certain vesting conditions not be met. The reserve will be transferred to retained earnings should the options expire.

Share-based payments reserve
The share-based payments reserve represents the fair value of shares to be issued to directors, consultants and employees. This reserve will be transferred to capital once the shares have been issued.

Translation reserve
Exchange differences relating to the translation of the results and net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency (i.e. Australian dollars) are recognised directly in other comprehensive income and accumulated in the foreign currency translation reserve. Exchange differences previously accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal of the foreign operations.

Investment revaluation reserve
The investment revaluation reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investments are derecognised or impaired.

20. CAPITAL MANAGEMENT

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so as to maintain a strong capital base sufficient to maintain future exploration and development of its projects. In order to maintain or adjust the capital structure, the Group may return capital to shareholders or issue new shares. The Group's focus has been to raise sufficient funds through equity to fund exploration and evaluation activities.

There were no changes in the Group's approach to capital management during the year.

The Group entities are not subject to externally imposed capital requirements.

21. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

(a) Carrying amounts and fair values

The following table shows the carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy for financial instruments measured at fair value. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value.

	Carrying Amounts					Fair Values			
	Non-current assets	Current assets							
	Other receivables	Investments	Other receivables	Cash and cash equivalents	Total	Level 1	Level 2	Level 3	Total
31 December 2014									
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	-	118,644	118,644	-	-	-	-
Available for sale financial assets	-	173	-	-	173	173	-	-	173
Other receivables	3,678	-	223,185	-	226,863	-	-	-	-
	3,678	173	223,185	118,644	345,680	173	-	-	173
30 June 2014									
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	-	1,199,527	1,199,527	-	-	-	-
Available for sale financial assets	-	173	-	-	173	173	-	-	173
Other receivables	3,185	-	107,544	-	110,729	-	-	-	-
	3,185	173	107,544	1,199,527	1,310,429	173	-	-	173

21. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

(a) Carrying amounts and fair values (continued)

	Carrying Amount			Fair Values			
	Non-current liabilities	Current liabilities					
	Trade and other payables		Total	Level 1	Level 2	Level 3	Total
31 December 2014							
Financial liabilities not measured at fair value							
Trade and other payables	-	212,320	212,320	-	-	-	-
Liability to carry joint venture partner	-	78,546	78,546	-	-	-	-
	-	290,866	290,866	-	-	-	-
30 June 2014							
Financial liabilities not measured at fair value							
Trade and other payables	-	46,750	46,750	-	-	-	-
Liability to carry joint venture partner	-	78,546	78,546	-	-	-	-
	-	125,296	125,296	-	-	-	-

21. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

(b) Financial risk management

The Group has exposure to the following risks arising from financial instruments:

- credit risk
- liquidity risk
- market risk

(i) Risk Management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established an Audit and Risk Management Committee, which is responsible for developing and monitoring the Group's risk management policies. The committee reports to the Board of Directors on its activities.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Group Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investments in debt securities.

The carrying amount of financial assets represents the maximum credit exposure.

Cash and cash equivalents
The Group held cash and cash equivalents of $118,644 31 December 2014 (30 June 2014: $1,199,527). The cash and cash equivalents are held with authorised banking institutions and only with counterparties that have an acceptable credit rating.

Other receivables
As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables.

At 31 December 2014, the maximum exposure to credit risk for other receivables by geographic region was as follows:

	Carrying amount	
	31 December 2014 $	30 June 2014 $
Australia	110,794	28,375
USA	116,069	82,354
	226,863	110,729

21. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(ii) Credit risk (continued)

At 31 December 2014, the maximum exposure to credit risk for other receivables by type of counterparty was as follows:

	Carrying amount	
	31 December 2014 $	30 June 2014 $
Authorised banking institutions and government agencies	30,634	28,375
Net production revenue	112,391	79,169
Other receivables	80,160	-
Security bonds	3,678	3,185
	226,863	110,729

Management does not expect any counterparty to fail to meet its future obligations and therefore the Group has not established an allowance for impairment that represents their estimate of incurred losses in respect of intercompany loans and receivables and investments.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

The Group ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

The following are the contractual maturities of financial liabilities excluding the impact of netting arrangements:

	Carrying amount $	Contractual cash flows $	6 months or less $
31 December 2014			
Non-derivative financial liabilities			
Trade and other payables	212,320	212,320	212,320
Liability to carry joint venture partner	78,546	78,546	78,546
	290,866	290,866	290,866
30 June 2014			
Non-derivative financial liabilities			
Trade and other payables	46,750	46,750	46,750
Liability to carry joint venture partner	78,546	78,546	78,546
	125,296	125,296	125,296

21. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates, commodity prices and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return. The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates. There has been no change to the manner in which the Group manages market risk from the previous year.

Currency risk

The Group undertakes certain transactions denominated in foreign currencies, hence exposures to exchange rate fluctuations arise.

The carrying amount of the Group's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Carrying amount	Assets		Liabilities	
	31 December 2014 $'000	30 June 2014 $'000	31 December 2014 $'000	30 June 2014 $'000
US dollar	134,112	563,289	129	-

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars (USD). The following table details the Group's sensitivity to a 5% (30 June 2014: 5%) increase and decrease in the Australian dollar against the relevant foreign currencies and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the yearend for a 5% (30 June 2014: 5%) change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

	Impact on profit & loss	
	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
If AUD strengthens by 5% (30 June 2014: 5%)		
USD	(6,392)	(26,823)
If AUD weakens by 5% (30 June 2014: 5%)		
USD	7,065	29,647

There would be no impact on other equity of the Company and the Group.

21. FINANCIAL INSTRUMENTS - FAIR VALUES AND RISK MANAGEMENT (continued)

(b) Financial risk management (continued)

(iv) Market risk

Interest rate risk

The Group only has interest rate risk relating to its funds on deposit with banking institutions. Accordingly, the Group does not hedge its interest rate risk exposure.

Exposure to interest rate risk

The interest rate profile of the Group's interest bearing financial instruments as reported to management of the Group is as follows:

	Carrying amount	
	31 December 2014	30 June 2014
	$	$
Variable rate instruments		
Financial assets	118,644	1,199,527

Fair value sensitivity analysis for fixed rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for twelve months ended 30 June 2014.

	Profit or loss	
	100 bp increase	100 bp decrease
	$	$
31 December 2014		
Variable rate instruments	1,138	(54)
Cash flow sensitivity	1,138	(54)
30 June 2014		
Variable rate instruments	11,484	(3,001)
Cash flow sensitivity	11,484	(3,001)

At the reporting date the Group did not hold any variable rate financial liabilities.

22. SUBSIDIARIES

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				31 December 2014 %	30 June 2014 %
AOC No.2 Pty Ltd	Corporate	Australia	31 December	100	100
AOC No.3 Pty Ltd	Corporate	Australia	31 December	100	100
AOC Investments Pty Ltd	Corporate	Australia	31 December	100	100
Los Alamos Oil LLC	Oil & gas exploration	USA	31 December	100	100
Sacgasco LLC	Oil & gas exploration	USA	31 December	100	100

23. ASSOCIATES

Details of each of the Group's material associates at the end of the reporting period are as follows:

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			31 December 2014 %	30 June 2014 %
Alamo Creek Oil LLC	Oil & gas exploration	California, USA	50	50
Excelaron LLC	Oil & gas exploration	California, USA	35	35
Cal LNG LLC	LNG supply & export facility	California, USA	42	-

The above associates are accounted for using the equity method in these consolidated financial statements.

23. ASSOCIATES (continued)

	31 December 2014 $	30 June 2014 $
Investments in associates	-	-
Reconciliation of movement in investments accounted for using the equity method		
Balance at 1 July	-	33,000
Additional investment	22,321	113,822
Impairment of investment	(22,321)	(164,058)
Exchange difference	-	17,236
Balance at 31 December / 30 June	-	-

(i) The financial year end date of Alamo Creek Oil LLC is 31 December. This was the reporting date established when that company was incorporated.

(ii) The financial year end date of Excelaron LLC is 31 December. This was the reporting date established when that company was incorporated.

(iii) In impairing the investments in Alamo Creek Oil LLC and Excelaron LLC, the directors have considered the following:

- estimate of future cash flows expected to be derived from the associate;
- expectation and possible variation in amount or timing of those cash flows

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with AASBs adjusted by the Group for equity accounting purposes.

Alamo Creek Oil LLC

	31 December 2014 $	30 June 2014 $
Financial position		
Current assets	9,631	1,940
Current liabilities	(9,574)	(119,928)
Financial performance		
Income	-	-
Expenses	(64,789)	(50,045)
Loss for the year	**(64,789)**	**(50,045)**
Total comprehensive loss for the 6 months / 12 months period	-	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in Alamo Creek Oil LLC recognised in the consolidated financial statements.

23. ASSOCIATES (continued)

Alamo Creek Oil LLC (continued)

	31 December 2014 $	30 June 2014 $
Net assets / (liabilities) of the associate	46	(117,988)
Proportion of the Group's ownership interest in Alamo Creek Oil LLC	50%	50%
Carrying amount of the Group's interest in Alamo Creek Oil LLC	-	-

The investment in Alamo Creek Oil LLC is carried at nil, being consistent with the treatment at 30 June 2014. The Group's share of the net loss in Alamo Creek LLC of $32,395 (12 months to 30 June 2014: $25,023) has not been recognised in the consolidated statement of comprehensive income.

On 12 July 2011, AOC sold its wholly owned subsidiary CALOG LLC ("CALOG") to Bombora Energy Pty Ltd ("Bombora"). As part of the transaction, AOC has agreed to give CALOG a free carry with respect to its pro-rata share of geological and seismic evaluation expenditure prior to drilling in the Porter Ranch project (held in Alamo Creek Oil LLC). $78,546 of the consideration has been recognised as a liability to carry Joint Venture partner relating to AOC's obligation to fund the free carry.

Excelaron LLC

	31 December 2014 $	30 June 2014 $
Financial position		
Current assets	10,080	16,091
Non-current assets	2,158,069	1,868,693
Current liabilities	(103,162)	(87,882)
Financial performance		
Income	-	-
Expenses	(10,680)	(14,474)
Loss for the year	**(10,680)**	**(14,474)**
Total comprehensive loss for the year	-	-

23. ASSOCIATES (continued)

Excelaron LLC (continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Excelaron LLC recognised in the consolidated financial statements:

	31 December 2014 $	30 June 2014 $
Net assets of the associate	2,064,987	1,796,902
Proportion of the Group's ownership interest in Excelaron LLC	35%	35%
Carrying amount of the Group's interest in Excelaron LLC	-	-

The investment in Excelaron LLC is carried at nil, being consistent with the treatment at 30 June 2014.

The Group's share of the net loss in Excelaron LLC of $3,738 (12 months ended 30 June 2014: $5,066) has not been recognised in the consolidated statement of comprehensive income.

Cal LNG LLC

On 29 November 2014, the Group incorporated Cal LNG LLC to pursue the development of an LNG export and domestic supply facility on the west coast of the United States.

Since minimal expenditure has been incurred, Cal LNG LLC has not been included in these financial statements.

24. COMMITMENTS

	Note	6 months ended 31 December 2014	12 months ended 30 June 2014
Office rent			
Less than one year		6,300	18,900

25. CONTINGENCIES

The Group has no contingent assets or liabilities.

26. RELATED PARTIES

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

(a) Director's compensation

Director's compensation comprises the following:

	Note	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Short term employee benefits		80,617	141,667
Share-based payments - options	9(a)	25,000	328,900
Share-based payments – shares issued	9(a)	27,856	-
Share-based payments – shares to be issued	9(a)	23,800	77,820
		157,273	548,387

Compensation of the Group's Directors include fees and non-cash benefits (see note 6).

(b) Director's transactions

Certain Directors, or their related parties, hold positions in other companies that result in them having control or significant influence over the financial or operating policies of those entities.

A number of these entities (as detailed below) transacted with the Group in the reporting period. The terms and conditions of the transaction with Directors and their related parties were no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to non-director related entities on an arm's length basis.

26. RELATED PARTIES (continued)

(b) Key management personnel and director transactions (continued)

The aggregate value of transactions and outstanding balances relating to key management personnel and entities over which key management personnel have control or significant influence were as follows:

			Transaction value		Balance outstanding	
		Note	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $	31 December 2014 $	30 June 2014 $
Key management person	***Transaction***					
Andrew Childs	Consulting fees	(i)	22,500	93,450	-	-
Keith Martens	Consulting fees	(ii)	28,500	191,095	-	-
Mark Ohlsson	Company Secretarial and accounting services		-	8,000	-	-
Gary Jeffery	Interest on loans		-	1,398	-	-
Andrew Childs	Interest on loans		-	1,601	-	-
Total and current liabilities					-	-

(i) The Group used the consulting services of Resources Recruitment, a company associated with Andrew Childs, in relation to advice on certain exploration activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;

(ii) The Group used the consulting services of Martens Petroleum Pty Ltd, a company associated with Keith Martens, in relation to advice on certain exploration activities of the Group. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms.

27. AUDITORS' REMUNERATION

	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Ernst & Young		
Audit and other assurance services		
Audit and review of financial reports	21,630	37,305
Total remuneration of Ernst & Young	21,630	37,305
Non Ernst & Young firms		
Taxation services		
Tax compliance services	6,120	-
Other services		
Group structure proposals	-	275
Total remuneration of non-Ernst & Young audit firms	6,120	275
TOTAL AUDITORS' REMUNERATION	**27,750**	**37,580**

28. PARENT COMPANY DISCLOSURES

As at, and throughout the six months ended 31 December 2014, the parent entity of the Group was Australian Oil Company Limited.

	6 months ended 31 December 2014 $	12 months ended 30 June 2014 $
Result of the parent entity		
Profit / (loss) for the year	(349,799)	840,115
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	(349,799)	840,115
Financial position of parent entity at year end		
Current assets	244,908	1,162,588
Total assets	2,450,846	2,561,776
Current liabilities	290,737	125,296
Total liabilities	290,737	125,296
Total equity of the parent entity comprising of:		
Share capital	10,689,003	10,586,555
Reserves	427,143	765,163
Accumulated losses	(8,956,037)	(8,915,238)
Total equity	2,160,109	2,436,480
Commitments		
Office rent		
Less than one year	6,300	18,900

29. SUBSEQUENT EVENTS

On 23 January 2015, an application was lodged to de-register Los Alamos Oil LLC, a subsidiary registered in California, USA.

Other than as disclosed above, there have been no matters or circumstances that have arisen since the end of the financial period that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

30. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on a historical cost basis, except share-based payments and available for sale financial assets which are measured at fair value.

31. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for the changes below, the Group has consistently applied the accounting policies set out in note 32 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

AASB 1031 *Materiality (December 2013)* and AASB 2013-9 *Amendments to AASB 1031 Part B*

Revised AASB 1031 is an interim standard that cross-references to other Standards and the *Framework for the Preparation and Presentation of Financial Statements* (issued December 2013) that contain guidance on materiality. These changes have no impact on the financial statements.

AASB 2012-3 *Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities* (Amendments to AASB 132)

AASB 2012-3 address inconsistencies in current practice when applying the offsetting criteria in AASB 132 *Financial Instruments: Presentation.* These amendments clarify the meaning of “currently has a legally enforceable right to set-off” and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group.

AASB 2013-3 *Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*

Narrow-scope amendments to AASB 136 *Impairment of Assets* include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal. These amendments have no impact on the Group.

AASB 2014-1 *Amendments to Australian Accounting Standards arising from Annual Improvements 2010-2012 and 2011-2013 Cycles*

The change amends a number of pronouncements as a result of the 2010-2012 and 2011-2013 annual improvements cycles. These changes did not impact the financial statements.

32. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in note 31, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

Certain comparative amounts in the statement of profit or loss and OCI have been reclassified or re-presented, as a result of a change in accounting policy regarding the exploration expenditure no longer being capitalised.

(a) Basis of consolidation

(i) *Subsidiaries*

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant
- activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary
- De-recognises the carrying amount of any non-controlling interests
- De-recognises the cumulative translation differences recorded in equity
- Recognises the fair value of the consideration received
- Recognises the fair value of any investment retained
- Recognises any surplus or deficit in profit or loss
- Reclassifies the parent's share of components previously recognised in OCI to profit or loss or retained earnings, as appropriate, as would be required if the Group had directly disposed of the related assets or liabilities

32. SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

(ii) Associates

Associates are entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method. Under the equity method, the share of the profits or losses of the associated is recognised in profit or loss and the share of the movements in equity is recognised in other comprehensive income. Investments in associates are carried in the consolidated statement of financial position at cost plus post-acquisition charges in the Group's share of net assets of the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(iii) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated. Unrealised gains arising from transactions with equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(b) Production Revenue

Production revenue is recognised in the financial period during which hydrocarbons are produced provided that prior to the reporting date they are either sold or delivered in the normal course of business in accordance with purchasing agreements.

(c) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;

Interest income and interest expense on short term borrowings, is recognised in profit or loss using the effective interest method.

(d) Foreign currency translation

The financial report is presented in Australian dollars, which is Australian Oil Company Limited's functional and presentation currency.

(i) Foreign currency transactions

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at financial yearend exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

(ii) Foreign operations

The assets and liabilities of foreign operations are translated into Australian dollars using the exchange rates at the reporting date. The revenues and expenses of foreign operations are translated into Australian dollars using the average exchange rates, which approximate the rate at the date of the transaction, for the period. All resulting foreign exchange differences are recognised in other comprehensive income through the translation reserve in equity.

The translation reserve is recognised in profit or loss when the foreign operation or net investment in disposed of.

32. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Employee benefits

(i) Short-term employee benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(ii) Share-based payment transactions

The share option programme allows Group employees to receive rights to acquire shares of the Company. The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that do not meet the related service and non-market performance conditions at the vesting date. For share-based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the options granted is measured using the Black-Scholes formula; taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

(f) Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in other comprehensive income.

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets and liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future.

Deferred tax assets are recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using the tax rates enacted or substantively enacted at the reporting date.

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity but they intend to settle current tax assets and liabilities on a net basis or their tax assets and liabilities will be realised simultaneously.

Tax consolidation

The Company and its wholly-owned Australian resident subsidiaries are not a consolidated group for tax purposes.

32. SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Exploration and evaluation assets

Exploration and evaluation expenditure in relation to separate areas of interest for which rights of tenure are current is carried forward as an asset in the consolidated statement of financial position where it is expected that the expenditure may be recovered through the successful development and exploitation of an area of interest, or by its sale; or exploration activities are continuing in an area and activities have not reached a stage which permits a reasonable estimate of the existence or otherwise of economically recoverable reserves. Where a project or an area of interest has been abandoned, the expenditure incurred thereon is written off in the year in which the decision is made.

(h) Impairment of non-financial assets

Non-financial assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. The value-in-use is the present value of the estimated future cash flows relating to the asset using a pre-tax discount rate specific to the asset or cash-generating unit to which the asset belongs. Assets that do not have independent cash flows are grouped together to form a cash-generating unit.

(i) Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on initial classification as held for sale and subsequent gains or losses on re-measurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss. Non-current assets classified as held for sale are presented separately on the face of the consolidated statement of financial position, in current assets.

(j) Financial instruments

The Group classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held to maturity financial assets, loans and receivables and available for sale financial assets

(i) Non-derivative financial assets and financial liabilities – recognition and de-recognition

The Group initially recognises loans, receivables and deposits on the date when they are originated. All other financial assets are recognised initially on the trade date.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in such derecognised financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

32. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments (continued)

(ii) Non-derivative financial assets – measurement

Loans and receivables
Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value and are used by the Group in the management of its short-term commitments.

(iii) Non-derivative financial liabilities - measurement

Non-derivative financial liabilities are initially recognised at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

(iv) Share capital

Ordinary Shares
Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

(k) Provisions

Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the true value of money and the risks specific to the liability. The unwinding of the discount is recognised as a finance cost.

Site Restoration
In accordance with the Group's published environment policy and applicable legal requirements, a provision for site restoration in respect of contaminated and disturbed land, and the related expense, is recognised when the land is contaminated or disturbed.

33. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new accounting standards and interpretations that have recently been issued or amended but are not yet mandatory for annual periods beginning after 1 July 2014, have not been applied in preparing these consolidated financial statements. The Group's assessment of the impact of these new or amended accounting standards and interpretations, most relevant to the Group, are set out below.

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 2014-3	Amendments to Australian Accounting Standards – Accounting for Acquisitions if Interests in Joint Operations	Amends AASB 11 *Joint Arrangements to provide guidance on the accounting for acquisitions of interests in a joint operation where the operation constitutes a business.*	1 January 2016	1 January 2016

33. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 9	Financial Instruments (December 2010) Amendments to Australian Accounting Standards arising from AASB 9 (December 2010), Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures Amendments to Australian Accounting Standards	A revised version of AASB 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over of the existing derecognition requirements from AASB 139 *Financial Instruments: Recognition and Measurement.* The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. This standard supersedes AASB 9 (2009). However, for annual reporting periods beginning before 1 January 2018, an entity may early adopt AASB 9 (December 2009) instead of applying this standard.	1 January 2018	1 January 2018
AASB 2013-9	Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	Part A – Already effective Part B - Already effective Part C - reporting periods beginning on or after 1 January 2015	Part A – Already effective Part B – Already effective Part C – period beginning 1 January 2015
AASB 2014-4	Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation	Amends AASB 116 *Property, Plant and Equipment* and AASB 138 *Intangible Assets* to provide additional guidance on how the depreciation or amortisation of property, plant and equipment and intangible assets should be calculated.	1 January 2016	1 January 2016

33. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED (continued)

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 15	Revenue from Contracts with Customers	IFRS 15 outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers; and replaces: (a) IAS 11 *Construction Contracts* (b) IAS 18 *Revenue* (c) IFRIC 13 *Customer Loyalty Programmes* (d) IFRIC 15 *Agreements for the Construction of Real Estate* (e) IFRIC 18 *Transfers of Assets from Customers* (f) SIC-31 *Revenue—Barter Transactions Involving Advertising Services* The core principle is that an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.	1 January 2017	1 January 2017

DIRECTORS' DECLARATION

1 In the opinion of the directors of Australian Oil Company Limited (the "Company"):

(a) the consolidated financial statements and notes, and the Remuneration Report set out in section 14 in the Directors' Report, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 31 December 2014 and of its performance for the financial period ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

(b) subject to the achievement of the matters set out in note 2(a), there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial period ended 31 December 2014.

3 The directors draw attention to note 2 to the consolidated financial statements, which includes a statement of compliance with International Financial Reporting Standards.

Signed in accordance with a resolution of the directors:

Dated at Perth this 31st day of March 2015.

GARY JEFFERY
Director

Building a better working world

Ernst & Young
11 Mounts Bay Road
Perth WA 6000 Australia
GPO Box M939 Perth WA 6843

Tel: +61 8 9429 2222
Fax: +61 8 9429 2436
ey.com/au

Independent auditor's report to the members of Australian Oil Company Limited

Report on the financial report

We have audited the accompanying financial report of Australian Oil Company Limited, which comprises the consolidated statement of financial position as at 31 December 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the six months then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at 31 December 2014 or from time to time during the six months period ended 31 December 2014.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

Building a better working world

Opinion

In our opinion:

a. the financial report of Australian Oil Company Limited is in accordance with the *Corporations Act 2001*, including:

   i giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the six months ended on that date; and

   ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and

b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 2 in the financial report. These conditions indicate the existence of a material uncertainty that may cast significant doubt about the consolidated entity's ability to continue as a going concern and therefore, the consolidated entity may be unable to realise its assets and discharge its liabilities in the normal course of business.

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the six months ended 31 December 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australian Oil Company Limited for the six months ended 31 December 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

R J Curtin
Partner
Perth
31 March 2015

SECURITIES EXCHANGE INFORMATION

Additional information required by the ASX Limited Listing Rules and not disclosed elsewhere in this report is set out below.

1. SHAREHOLDER INFORMATION

(a) Distribution of fully paid ordinary shares at 10 March 2015

Category			Number of Shareholders	Shares held
1	-	1,000	63	4,438
1,001	-	5,000	48	194,017
5,001	-	10,000	77	695,678
10,001	-	100,000	262	12,429,755
100,001	and	over	130	79,177,766
			580	92,501,654

(b) Marketable Parcel

The number of shareholders holding less than a marketable parcel of ordinary shares is 138.

(c) Voting rights

Ordinary shares
There are no restrictions on voting rights attached to the ordinary shares. On a show of hands every member present in person shall have one vote and upon a poll, every member present or by proxy shall have one vote for every share held.

Options
There are no voting rights attached to the options.

(d) Substantial shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Name	Ordinary shares Number of Shares
HSBC Custody Nominees (Australia) Limited	8,091,233

(e) Unlisted 31 December 2015 Options

There are 11,500,000 options held by 5 holders on issue that are exercisable at 25 cents on or before 31 December 2015.

(f) Unlisted 31 December 2016 Options

There are 500,000 options held by 1 holder on issue that are exercisable at 25 cents on or before 31 December 2016.

(g) Shareholders

The twenty largest shareholders hold 51.01% of the total issued ordinary shares in the Company as at 10 March 2015.

2. TOP TWENTY SHAREHOLDERS AS AT 10 MARCH 2015

	Name	Ordinary shares	
		Number of Shares	Percentage of issued shares
1	HSBC Custody Nominees (Australia) Limited	8,091,233	8.747
2	NEFCO Nominees (Australia) Limited	4,239,000	4.583
3	Brazell Pty Ltd	3,645,334	3.941
4	Pemberley Group Pty Ltd	3,242,616	3.505
5	Talex Investments Pty Ltd	3,000,000	3.243
6	Queensland M M Pty Ltd	3,000,000	3.243
7	Mr Denis I Rakich & Mrs Francesca A Rakich <Rakich Retirement Fund A/C>	2,750,000	2.973
8	Glennbrown Pty Ltd <G Brown Family A/C>	2,610,065	2.822
9	Mrs Kerry Martens & Mr Keith N Martens <Onslow Super Fund A/C>	2,362,097	2.554
10	Hennessy Pacific Investments Limited	1,906,666	2.061
11	Warrangi Nominees Pty Ltd	1,700,000	1.838
12	Scott Investment Fund Pty Ltd	1,500,000	1.622
13	Hemsby Super Pty Ltd	1,500,000	1.622
14	Mr Blair E Pedler <The Pedler Investment A/C>	1,265,000	1.368
15	Mr Peter Cockcroft	1,262,501	1.365
16	Netwealth Investments Limited <Wrap Services A/C>	1,225,000	1.324
17	Magaurite Pty Ltd	1000,000	1.081
18	Alan Davis Pty Ltd	1,000,000	1.081
19	Mrs Laura M Whitby & Mr David R Whitby	967,000	1.045
20	Bond Street Custodians Limited <PNCORK – D00089>	920,000	0.995
		47,186,512	51.013

3. PETROLEUM TENEMENT INTERESTS AT 10 MARCH 2015

Project name	Location	Working interest
Alvares Prospect	Sacramento Basin Onshore Northern California	40%
Dempsey Prospect	Sacramento Basin Onshore Northern California	55%
Arnaudo Prospect	Sacramento Basin Onshore Northern California	55%
Rancho-Capay Gas Field	Sacramento Basin Onshore Northern California	55%
Los Medanos Gas Field	Sacramento Basin Onshore Northern California	55%
Porter Ranch Oil Prospect	Santa Maria Basin Onshore Southern California	45%
Mankins Ranch Oil Project	Santa Maria Basin (Huasna Sub-Basin) Onshore Southern California	35%
SCU #1-24 Water Disposal Well	San Joaquin Basin Onshore Southern California	32.81%
California AMI Prospects	Sacramento Basin Onshore Northern California	70%