Australian Oil Company Limited

Level 2, Unit 14, 210 Bagot Road, SUBIACO WA 6008 Australia
Tel: (08) 9388 2654

ABN 83 114 061 433

2 September 2015

ASX Limited

Electronic lodgement

ASX Code: AOC

June 2015 Interim Financial Report

We attach the Interim Financial Report for Australian Oil Company Limited for the six months ended 30 June 2015.

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

David McArthur
Company Secretary

AUSTRALIAN OIL COMPANY LIMITED

ABN 83 114 061 433

INTERIM FINANCIAL REPORT

30 JUNE 2015

CONTENTS

CORPORATE DIRECTORY

DIRECTORS AND COMPANY SECRETARY:

Andrew Childs
Non-executive Chairman

Gary Jeffery
Managing Director

Keith Martens
Non-executive Director

Aqeel Virk
Non-executive Director

David McArthur
Company Secretary

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Nedlands WA 6009

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SHARE REGISTRY:

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BANKERS:

National Australia Bank
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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
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SECURITIES EXCHANGE :

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

Code - AOC

DOMICILE AND COUNTRY OF INCORPORATION:

Australia

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 30 June 2015 and the review report thereon.

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
Aqeel Virk	Director since 8 July 2015

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.

RESULTS

The net loss for the six months ended 30 June 2015 attributable to members of Australian Oil Company Limited after income tax was $353,292 (six months ended 30 June 2014: loss of $455,608).

DIVIDENDS

No dividend was paid during the interim period and the Directors do not recommend payment of a dividend.

REVIEW OF OPERATIONS

<u>Summary</u>

- **Targeting development of potential multi-reservoir, 1+Tcf Dempsey and 2.4+Tcf Alvares conventional gas prospects in Sacramento Gas Basin, onshore California.**
- **Successfully completed $638,200 capital raising – strongly supported by a number of highly regarded oil and gas professionals.**
- **Planned conventional gas production from Dempsey prospect to supply 2.5 Tcf per year Californian domestic gas market.**
- **Short-term focus on farming out conventional gas production opportunity at Dempsey prospect located close to existing critical infrastructure.**

REVIEW OF OPERATIONS (continued)

- **Approvals for drilling of Dempsey prospect progressing on schedule.**
- **Discussions underway with a number of potential funding partners for drilling of Dempsey prospect in calendar 2015.**

Californian-focused conventional gas developer Australian Oil Company Limited (ASX: AOC) ("the Company") is pleased to provide shareholders with its half yearly activity report for the period ended 30 June 2015.

During the period, AOC's experienced management team continued to progress towards the scheduled drilling of the Company's flagship Dempsey conventional gas prospect in calendar 2015.

AOC has established a robust portfolio of large-scale conventional gas prospects in the Sacramento Basin, located close to under-filled gas trunklines connecting to the Californian gas market.

The Company's key assets are the Dempsey and Alvares conventional gas prospects, which have gross unrisked best estimate recoverable prospective resources of 1+Tcf and 2.4+Tcf respectively.

AOC's development strategy in the Sacramento Basin represents an opportunity to achieve near-term gas supply to a domestic market with a significant energy supply deficit.

California's gas demand is approximately 7 billion cubic feet per day, with local production figures amounting to 410 million cubic feet per day or less than 6%.

AOC is working diligently to secure the required funding to drill the Dempsey prospect and is continuing discussions with potential funding partners who have demonstrated a strong interest.

Sacramento Basin - Onshore Northern California

Exploration, Appraisal and New Ventures

Exploration leases have continued to be maintained within the Sacramento Basin during the first half of the year. AOC has a working interest (WI) of between 40% and 70% in these leased lands which cover conventional gas prospects.

Reprocessed seismic and additional geologic information has reinforced AOC's belief that both Dempsey and Alvares are potentially world-class, multi-Tcf prospects, and the improved technical data has also been used to identify additional prospects for exploration drilling.

Mapping completed to date 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.

Dempsey Conventional Gas Prospect – Appraisal / Exploration stage (AOC 55% WI)

The Dempsey conventional gas prospect is AOC's flagship prospect and remains the focus of the Company's near-term development plans. The Dempsey prospect has the potential for near-term, conventional gas production because it is located below existing AOC production facilities. Permitting activities are being finalised in preparation for commencement of drilling in 2015.

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

The total (100%) unrisked recoverable prospective resource, from seven interpreted reservoir zones, 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).

REVIEW OF OPERATIONS (continued)

The Dempsey #1 well will be located within a proven gas field area with existing joint venture owned pipeline and meter station infrastructure, easily accessible. Should commercial quantities of gas be found, these existing production facilities with capacity of up to 20 mmcfgpd, which are connected to the interstate pipeline networks, would be used to sell the gas with minimum delay. Such potential flows, if achieved could result in up to US$60,000 per day of gross well production revenue if gas prices were similar to today’s prices.

Alvares Conventional Gas Prospect – Appraisal stage (AOC 40% WI)

The Alvares conventional gas prospect is located close to large natural gas pipelines and on trend 35 miles from the similarly structured multi-Tcf Tulainyo Project (based on the James well drilled in 1947), mapped by Cirque Resources and involving California Resources Corporation (NYSE: CRC).

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

Production Update

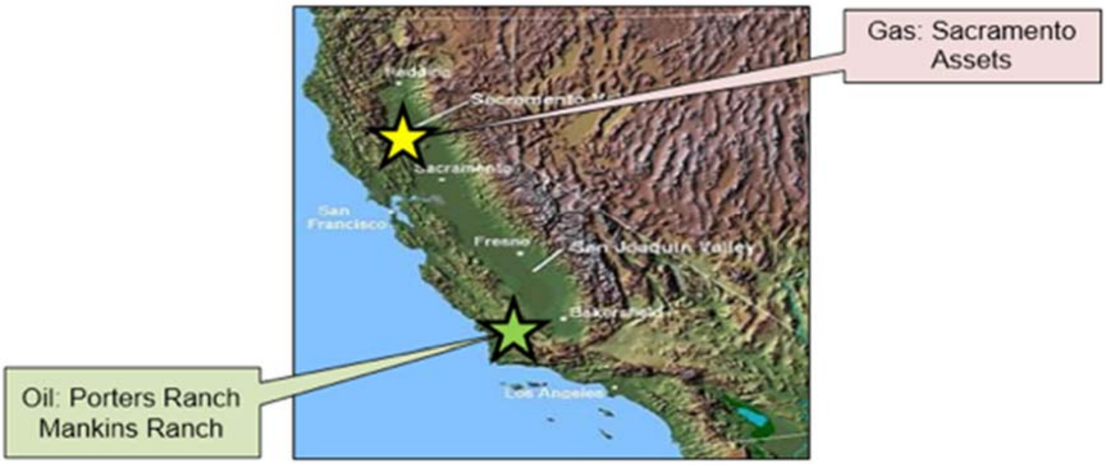
Rancho - Capay Gas Field (AOC 55% WI in 5 wells) &
Los Medanos Gas Field (AOC 55% WI in 3 wells)

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

AOC continues to evaluate production acquisition opportunities that provide short term cash flow and strategic longer term access to exploration leases, and production facilities and pipelines connected to the premium California gas market.

Production	*June 2015*	*December 2014*
Gross mcf * (100%)	*41,744*	55,348
Net AOC mcf (after Royalty)	*15,613*	20,743

**mcf – Thousand Cubic feet gas*



AOC’s oil and gas assets, onshore California

REVIEW OF OPERATIONS (continued)

Prospect Portfolio

As outlined above, AOC's current focus is unlocking the underlying value from its conventional gas prospects in the Sacramento Basin. At this point, the Company believes shareholders' interests are best suited to a singular focus on the largest value adding projects in the Sacramento Basin, particularly the early monetisation of the Dempsey Project.

AUSTRALIAN OIL COMPANY LIMITED		
Tenement / Project List		
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%
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 Projects or Working Interests in the reporting period		

Corporate Activity

During the period from January 2015, AOC completed a placement to sophisticated investors of 12,764,000 new fully paid ordinary shares at $0.05 per share to raise $638,209.

The funds raised will be used for working capital requirements, leasing mineral rights of additional prospects, and funding initial permitting costs for the drilling of the Dempsey #1 exploration/appraisal conventional gas well in the Sacramento Basin.

The AOC 2014 Annual Report was issued on 27 April 2015 and a copy is available on the AOC website www.australianoilcompany.com .

The Annual General Meeting was held on 27 May 2015. Results of the meeting were published and are also available on the AOC website.

REVIEW OF OPERATIONS (continued)

On 8 July 2015, AOC announced the appointment of Aqeel Virk as a non-executive director resident in California.

Mr Virk is an oil and gas professional who has worked for oil and gas companies with assets in Indonesia, Canada and the United States. His experience includes business development, operations, legal affairs, compliance, contract negotiations, and acquisitions.

As part of Mr Virk's appointment, AOC has established an office in Los Angeles sharing costs with one of its Californian Joint Venture partners and significant shareholder.

AOC moved its Perth office to Unit 14, 2nd Floor Octo Building, 210 Bagot Road Subiaco during the period due to its previous lease termination. AOC has no long term leases obligations. AOC continues to operate in the most efficient practical manner and thanks its shareholders for their continuing support.

ISSUED CAPITAL at 2 September 2015	
Ordinary Shares	106,407,007
Unlisted Options exercisable @ 25 cents 31 Dec 2015	11,500,000
Unlisted Options exercisable @ 25 cents 31 Dec 2016	500,000

Leases:

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

Competent Persons

This document contains forward looking statements that are subject to risk factors associated with the oil and gas industry. It is believed that the expectations reflected in these statements are reasonable, but they may be affected by a many variables which could cause actual results or trends to differ materially. The technical information provided has been reviewed by Mr Gary Jeffery, Managing Director of Australian Oil Company Limited. He is a qualified geophysicist with over 43 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' REMUNERATION

(a) Executive Director and Non-executive Directors

At the Annual General Meeting on 27 May 2015 shareholders approved the issue of up to 4,333,333 plan shares at no less than 3.0 cents each, totalling a value of $130,000, in satisfaction of Directors' fees under the Incentive Share Plan approved by shareholders on 25 July 2014. The shares are to be issued on a quarterly basis within a period of 12 months from 27 May 2015.

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
Gary Jeffery	2,731,004	5,000,000
Andrew Childs	4,351,676	2,000,000
Keith Martens	2,551,859	3,500,000
Aqeel Virk	-	-

SHARE OPTIONS

Options granted to directors of the Company

No options were granted to directors of the Group during the interim period.

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 interim period, no shares were issued as a result of the exercise of options.

CORPORATE GOVERNANCE

In recognising the need for the highest standards of corporate behaviour and accountability, the Directors of Australian Oil Company Limited support and have adhered to the principles of corporate governance. The Group's corporate governance statement is contained within the 31 December 2014 Annual Report and can be viewed on the Company's website.

EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters disclosed in note 9 of the notes to the condensed interim financial statements, there have been no matters or circumstances that have arisen since the end of the reporting 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.

LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is set out on the next page, and forms part of the Directors' report for the six months ended 30 June 2015

AOC Managing Director Gary Jeffery commented:

"We are continuing to work diligently towards the commencement of drilling at our Dempsey conventional gas prospect in the Sacramento Basin during calendar year 2015.

During the first half of 2015, the Company completed a capital raising for $638,200 which was strongly supported by new and existing shareholders. Significantly, a number of well-known oil and gas professionals participated in the capital raising which further validates our development pathway towards conventional gas production in the Sacramento Basin.

Furthermore, AOC is of the view that we have a number of distinct competitive advantages as an onshore, conventional-gas exploration company, which will be further realised through the proposed low-cost vertical well development program at Dempsey.

We are continuing to progress discussions with a number of parties who have expressed a strong interest in the development of Dempsey and we look forward to providing our shareholders with further updates in the near future."

Dated at Perth, Western Australia this 2nd day of September 2015.

Signed in accordance with a resolution of the directors.

Gary Jeffery
Managing Director

www.australianoilcompany.com

Twiiter: @AusOilCompany

Australian Oil Company Background

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

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

In relation to our review of the financial report of Australian Oil Company Limited for the half-year ended 30 June 2015, 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

Ernst & Young

R J Curtin
Partner
2 September 2015

RC:JH:AOC:018

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	30 June 2015 $	31 December 2014 $
Assets			
Cash and cash equivalents		622,075	118,644
Other receivables		218,102	223,185
Prepayments		9,639	27,236
Available for sale financial assets		65	173
Total current assets		849,881	369,238
Exploration and evaluation expenditure		2,881,168	2,509,826
Other receivables		-	3,678
Total non-current assets	4	2,881,168	2,513,504
Total assets	4	3,731,049	2,882,742
Liabilities			
Trade and other payables		296,064	143,570
Interest bearing liabilities	7	158,663	-
Employee benefits		3,750	68,750
Liability to carry joint venture partner		78,546	78,546
Total current liabilities		537,023	290,866
Provision for restoration		351,240	329,664
Total non-current liabilities		351,240	329,664
Total liabilities	4	888,263	620,530
Net assets		2,842,786	2,262,212
Equity			
Issued capital	8	11,401,617	10,689,003
Reserves		929,140	707,888
Accumulated losses		(9,487,971)	(9,134,679)
Total equity attributable to equity holders of the Company		2,842,786	2,262,212

The condensed note on pages 18 to 26 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Note	30 June 2015 $	30 June 2014 $
Continuing operations			
Production revenue	4	206,746	277,570
Production expense		(141,943)	(139,873)
Administrative expenses		(240,935)	(171,813)
Other expenses		(92,744)	(242,673)
Impairment of investment in associate	10	(82,414)	(83,345)
Share of loss of associate		(6,698)	-
Exploration expenditure written off		-	(87,836)
Loss on sale of financial assets		-	(300)
Results from operating activities		(357,988)	(448,270)
Finance income	5	27	1,970
Finance expense	5	(3,663)	(1,795)
Net finance (expense) / income		(3,636)	175
Loss before income tax	4	(361,624)	(448,095)
Income tax expense		(1,037)	(7,513)
Loss from continuing operations		(362,661)	(455,608)
Discontinued operations			
Gain on dissolution of a subsidiary	9	9,369	-
Loss for the period / year		(353,292)	(455,608)
Other comprehensive income			
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		(108)	-
Foreign currency translation difference of foreign operations		206,953	(104,148)
Total items that may be reclassified subsequently to profit or loss		206,845	(104,148)

The condensed note on pages 18 to 26 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR SIX MONTHS ENDED 30 JUNE 2015 (continued)

	30 June 2015 $	30 June 2014 $
Other comprehensive income / (expense) for the period, net of income tax	206,845	(104,148)
Total comprehensive loss for the period	(146,447)	(559,756)
Loss for the period is attributable to:		
Owners of the parent	(353,292)	(455,608)
Total comprehensive loss for the period is attributable to:		
Owners of the parent	(146,447)	(559,756)
Loss per share		
Basic and diluted (cents per share)	(0.38)	(0.51)

The condensed note on pages 18 to 26 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	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 January 2015	10,689,003	108	280,745	403,235	23,800	(9,134,679)	2,262,212
Total comprehensive loss for the period							
Loss after income tax for the period	-	-	-	-	-	(353,292)	(353,292)
Other comprehensive loss for the period							
Revaluation of available for sale financial assets	-	(108)	-	-	-	-	(108)
Foreign exchange translation difference on foreign operations	-	-	206,953	-	-	-	206,953
Total other comprehensive income / (loss) for the period	-	(108)	206,953	-	-	-	206,845
Total comprehensive income / (loss) for the period	-	(108)	206,953	-	-	(353,292)	(146,447)

The condensed note on pages 18 to 26 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015 (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 694,782 shares in lieu of directors' fees	86,848	-	-	-	14,407	-	101,255
Issue of share capital	638,210	-	-	-	-	-	638,210
Capital raising costs	(12,444)	-	-	-	-	-	(12,444)
Total contributions by and distributions to owners	712,614	-	-	-	14,407	-	727,021
Total transactions with owners	712,614	-	-	-	14,407	-	727,021
Balance at 30 June 2015	11,401,617	-	487,698	403,235	38,207	(9,487,971)	2,842,779

The condensed note on pages 18 to 26 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	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 January 2014	9,444,888	108	130,695	819,483	-	(8,613,496)	1,781,678
Total comprehensive loss for the period							
Loss after income tax for the period	-	-	-	-	-	(455,608)	(455,608)
Other comprehensive loss for the period							
Foreign exchange translation difference on foreign operations	-	-	(104,148)	-	-	-	(104,148)
Total other comprehensive loss for the period	-	-	(104,148)	-	-	-	(104,148)
Total comprehensive loss for the period	-	-	(104,148)	-	-	(455,608)	(559,756)

The condensed note on pages 18 to 26 are an integral part of these financial statements.

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015 (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 share capital	1,193,033	-	-	-	-	-	1,193,033
Expired options	-	-	-	(132,248)	-	132,248	-
Share-based payment transactions	14,250	-	-	-	77,820	-	92,070
Capital raising costs	(65,616)	-	-	-	-	-	(65,616)
Total contributions by and distributions to owners	1,141,667	-	-	(132,248)	77,820	132,248	1,219,487
Total transactions with owners	1,141,667	-	-	(132,248)	77,820	132,248	1,219,487
Balance at 30 June 2014	10,586,555	108	26,547	687,235	77,820	(8,936,856)	2,441,409

The condensed note on pages 18 to 26 are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	30 June 2015 $	30 June 2014 $
Cash flows from operating activities		
Production revenue	-	277,570
Payments to suppliers and employees	(105,213)	(663,421)
Interest received	27	1,970
Interest paid	(3,663)	-
Income taxes paid	(1,037)	(7,513)
Net cash used in operating activities	(109,886)	(391,394)
Cash flows from investing activities		
Investment in associates	(4,774)	(187,493)
Payments for exploration expenditure	(167,238)	(219,887)
Net cash used in investing activities	(172,012)	(407,380)
Cash flows from financing activities		
Proceeds from issue of shares and options	638,209	1,193,033
Payment of capital raising costs	(12,444)	(65,616)
Proceeds from borrowings	158,663	-
Repayment of borrowings	-	(45,000)
Payment of transaction costs related to borrowings		(1,795)
Net cash from financing activities	784,428	1,080,622
Net increase in cash and cash equivalents	502,530	281,848
Cash and cash equivalents at 1 July	118,644	917,679
Effect of exchange rate fluctuations on cash and cash equivalents	901	-
Cash and cash equivalents at 30 June	622,075	1,199,527

The condensed note on pages 18 to 26 are an integral part of these financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

1. REPORTING ENTITY

Australian Oil Company Limited (the "Company") is a company domiciled in Australia. The condensed consolidated interim financial report of the Company as at and for the six months ended 30 June 2015 comprises the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities"). The Group is primarily involved in oil and gas exploration in California, USA.

The consolidated financial report of the Group as at and for the six months ended 31 December 2014 is available upon request from the Company's registered office at Level 2, 55 Carrington Street, Nedlands, Western Australia, 6009 and is available for review on the Company's website.

2. BASIS OF ACCOUNTING

(a) Statement of compliance

The condensed consolidated interim financial report is a general purpose financial report which has been prepared in accordance with AASB 134 *Interim Financial Reporting* and the Corporations Act 2001. It does not include all of the information required for a full annual financial report and should be read in conjunction with the annual consolidated financial report of the Group as at and for the six months ended 31 December 2014 and any public announcements made by Australian Oil Company Limited during the interim reporting period.

Australian Oil Company Limited is a for profit entity for the purpose of preparing the financial statements.

The condensed consolidated interim financial report was approved by the Board of Directors on 2 September 2015.

(b) Judgements and estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this condensed consolidated interim financial report, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the six months ended 31 December 2014.

(c) Going concern

The Group recorded a loss of $353,292 (2014: loss $455,608) and had cash outflows from operating and investing activities of $278,235 (2014: $798,774 for the half year ended 30 June 2015. The Group had cash and cash equivalents at 30 June 2015 and at 21 August 2015 of $622,075 and $301,606 respectively.

The Group's cash flow forecast reflects that the Group needs to raise funds during the first quarter ending 31 March 2016 to enable it to meet its working capital requirements and its committed and planned exploration expenditure in connection with its exploration projects.

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 exploration project. The Directors are satisfied 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.

2. BASIS OF ACCOUNTING (continued)

(c) Going concern (continued)

In the event that the Group is unable to raise additional funds to meet the Group's planned exploration expenditure and working capital requirements, 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. SIGNIFICANT ACCOUNTING POLICIES

Except as described below, the accounting policies applied by the Group in the consolidated interim financial report are the same as those applied by the Group in its consolidated financial report as at and for the six months ended 31 December 2014. The following changes in accounting policy are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 December 2015.

All new and amended Accounting Standards and Interpretations were adopted during the year. Adoption of these new Standards and Interpretations did not impact the financial statements.

4. 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 oil and 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.*

4. OPERATING SEGMENTS (continued)

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

	30 June 2015 $	30 June 2014 $
Profit / (loss) before income tax		
Total profit / (loss) for reportable segments	208,302	(33,484)
Central administration and directors' remuneration	(566,290)	(414,786)
Finance expense	(3,663)	(1,795)
Finance income	27	1,970
Consolidated loss before income tax	(361,624)	(448,095)

	30 June 2015 $	31 December 2014 $
Assets		
Total assets for reportable segments	3,056,574	2,622,217
Cash and cash equivalents	622,075	118,644
Other assets	52,400	141,881
Consolidated total assets	3,731,049	2,882,742
Liabilities		
Total liabilities for reportable segments	(429,786)	(408,210)
Employee benefits	(3,750)	(68,750)
Other liabilities	(454,727)	(143,570)
Consolidated total liabilities	(888,263)	(620,530)

4. 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:

	30 June 2015 $	30 June 2014 $
Production revenue		
USA	206,746	277,570
Australia	-	-
	206,746	277,570

	30 June 2015 $	31 December 2014 $
Non-current assets		
USA	2,881,168	2,509,826
Australia	-	3,678
	2,881,168	2,513,504

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

5. FINANCE INCOME AND EXPENSE

	30 June 2015 $	30 June 2014 $
Interest income on bank deposits	27	1,970
Other borrowing costs	(3,663)	(1,795)
Net finance (expense) / income recognised in consolidated profit or loss	(3,636)	175

Other borrowing costs relates to accrued interest payable on loans advanced by the directors of the Company as per note 8.

6. SHARE-BASED PAYMENT PLANS

(a) Description of the share-based payment arrangements

At 30 June 2015 the Group has the following share-based payment arrangements:

		30 June 2015 $	30 June 2014 $
(i)	Shares issued in lieu of deferred director fees	63,048	-
(ii)	Shares to be issued in lieu of deferred director fees	38,208	-

(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 30 June 2015, 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 on grant date 12.5 cents each (B) $	No. of Plan Shares issued	Date of Issue
Executive directors					
Gary Jeffery	1	25,000	54,825	438,596	8 Apr-15
Non-executive directors					
Keith Martens	1	3,750	8,224	65,789	8 Apr-15

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

(B) Reflects the fair value of shares at the date the share plan was approved by shareholders on 25 July 2014 (grant date).

6. 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

At a general meeting on 27 May 2015, shareholders approved the issue of up to 4,333,333 plan shares at no less than 3 cents each, totalling a value of $130,000, in satisfaction of 50% of deferred director fees. At 30 June 2015, 50% of director fees had been satisfied in full by the issue of shares, as follows:

	50% accrued at 30 June 2015 $	Number of Shares Issued, approved by shareholders	Fair value of shares at grant date 6 cents each $
Executive directors			
Gary Jeffery	25,000	471,698	28,302
Non-executive directors			
Andrew Childs	5,000	94,340	5,661
Keith Martens	3,750	70,755	4,245
	33,750	636,793	38,208

7. RELATED PARTY TRANSACTIONS

Loans received from directors

The board agreed to provide funding to the Company on an as required basis until a capital raising was completed. During the period, two directors advanced the Company a total of $155,000 by a way of a loan at 10% interest. The loans are repayable within 6 months unless extended by mutual agreement with 20 days prior notice.

	Date of loan	Amount of loan $	Accrued interest at 10% $	Balance at 30 June 2015 $
Dungay Resources Pty Ltd (1)	13-Mar-15	50,000	1,493	51,493
Dungay Resources Pty Ltd (1)	15-Apr-15	75,000	1,562	76,562
Martens Petroleum Pty Ltd (2)	17-Apr-15	30,000	608	30,608
		155,000	3,663	158,663

(1) a company associated with Gary Jeffery;

(2) a company associated with Keith Martens

All loans were repaid in full on 4 August 2015.

8. CAPITAL AND RESERVES

(a) Share capital

	Ordinary shares			
	Number		Amount	
	30 June 2015 Shares	30 June 2014 Shares	30 June 2015 $	30 June 2014 $
On issue at 1 January	**92,311,257**	**79,535,512**	**10,689,004**	**9,444,888**
Fair value of shares at 9.7 cents each in lieu of director fees	-	-	-	14,250
Placement of fully paid ordinary shares at 10 cents each	-	11,930,326-	-	1,193,033
Placement of shares at 5 cents each	12,764,175	-	638,209	-
Issue of shares at 12.5 cents each in lieu of director fees	694,782	-	86,848	-
Capital raising costs	-	-	(12,444)	(65,616)
On issue at 30 June	**105,770,214**	**91,465,838**	**11,401,617**	**10,586,555**

8. CAPITAL AND RESERVES (continued)

(b) 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.

9. DISSOLUTION OF SUBSIDIARY

On 23 January 2015, an application was lodged to de-register Los Alamos Oil LLC, a subsidiary registered in California, USA. The gain on dissolution of a subsidiary of $9,369 is attributable to the reversal of foreign currency translation reserve related to Los Alamos Oil LLC.

10. IMPAIRMENT OF INVESTMENT IN ASSOCIATE

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	
			30 June 2015 %	31 December 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.

10. IMPAIRMENT OF INVESTMENT IN ASSOCIATE (continued)

	30 June 2015 $	31 December 2014 $
Investments in associates	-	-
Reconciliation of movement in investments accounted for using the equity method		
Balance at 1 January / July	-	-
Additional investment	82,414	22,321
Impairment of investment	(82,414)	(22,321)
Exchange difference	-	-
Balance at 31 December / 30 June	-	-

In impairing the investments in its associate entities, the directors have considered the estimate of future cash flows expected to be derived from each associated and the expectation and possible variance in the amount of timing of those cashflows.

11. EVENTS SUBEQUENT TO REPORTING DATE

On 4 August 2015, loans advanced by the directors of the Company were repaid in full with accrued interest.

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.

DIRECTORS' DECLARATION

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

(1) the financial statements and notes set out on pages 10 to 26 are in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2015 and of its performance for the six months ended on that date; and

(ii) complying with Australian Accounting AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and

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

Signed in accordance with a resolution of the Directors:

GARY JEFFERY
Director

Dated at Perth this 2nd day of September 2015.

Building a better
working world

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To the members of Australian Oil Company Limited

Report on the Half-year financial report

We have reviewed the accompanying half-year financial report of Australian Oil Company Limited, which comprises the consolidated statement of financial position as at 30 June 2015, the consolidated statement comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, 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 the half-year end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of the company are responsible for the preparation of the half-year 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 half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Australian Oil Company Limited and the entities it controlled during the half-year, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, 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.

Opinion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Australian Oil Company Limited is not in accordance with the *Corporations Act 2001*, including:

a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2015 and of its performance for the half-year ended on that date; and

a) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001.*

Emphasis of matter

Without qualifying our conclusion, 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.

Ernst & Young

R J Curtin
Partner
Perth
2 September 2015