Australian Oil Company Limited

ACN 114 061 433

DIRECTORS' REPORT

Your directors submit the financial report of Australian Oil Company Limited and its controlled entities ("the Consolidated Entity or Group") for the half-year ended 31 December 2011.

Directors

The names of directors who held office during or since the end of the half-year:

Andrew Childs (Chairman)

Grant Jagelman – resigned 29 February 2012

Ian Tchacos

Keith Martens

Principal Activities

The principal activity of the Group is the exploration for oil and gas in Australia and overseas.

Review of Operations

The consolidated loss after tax of the Group for the period was $1,309,532 (2010: loss $538,444).

LOS ALAMOS OIL PROJECT (56.25%)

The Operator of this well is in the process of obtaining a permit approval to drill a well on our preferred site location and alternative permit approval has been obtained. The well plan is in process of being finalised.

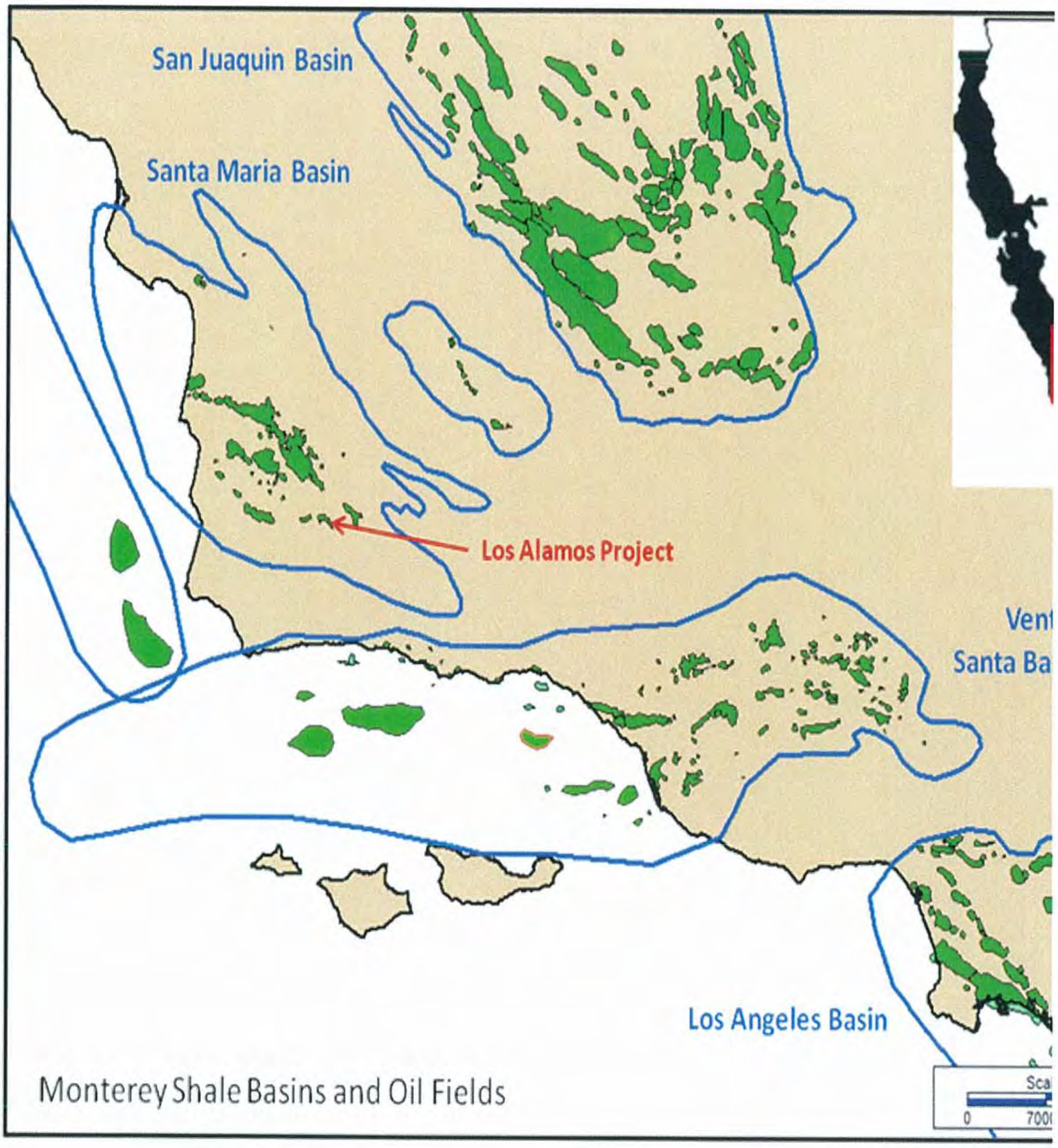
Los Alamos Oil LLC (LOA), a wholly owned subsidiary of AOC, has entered into a farmin agreement for approximately 3100 leased acres located in Los Alamos, Santa Barbara County, California. The terms of the farmin provide for LOA to pay 75% of the cost of a completed producing well to earn a 75% interest in the total leased area which interest reduces after repayment of LOA's cost of drilling and completing the well to a 56.25% working interest. Excluded from the agreement are certain shallow existing producing wells on the leased acreage. Thereafter LOA will pay its working interest share of all ongoing costs.

The proposed well will be drilled to approximately 12000 feet positioned updip from an existing well drilled in 1986 by Sun Oil which encountered extensive oil shows and a thin oil column in the primary objective being the Monterey shale target. The Monterey Shale is the main producing oil reservoir in California.

LOA has an option to farmin to an additional adjacent leased area comprising approximately 1800 acres on similar terms.

Discussions are taking place with potential joint venture parties to provide partial funding of this well. The prospective resource potential from this prospect is estimated to be in the range of 20 to30 million barrels. The prospect is located in the prolific Santa Maria basin which has produced approximately 600 million barrels of oil to date. See the location map below.

Location Map



HOOD - FRANKLIN GAS PROJECT SACRAMENTO CALIFORNIA (55%)

The participants are reviewing the location and economics of drilling an additional well.

MANKINS RANCH OIL PROJECT CALIFORNIA (35%)

The Environmental Impact Report was released by the County of San Luis Obispo on the 27th January 2012 and the preliminary hearing of the Board of Commissioners took place on 24 February and continued on 8 March 2012. The final decision will be made at the Board of Supervisors meeting to be held in April or May 2012.

AOC holds a 35% interest in and is joint manager of Excelaron LLC, the owner of the oil leases at Mankins Ranch which is located approximately 20 mile east of Arroya Grande in California.

United Hunter Oil and Gas Corp, a TSX listed Canadian based corporation, holds the remaining 65% interest in Excelaron LLC.

An Environmental Impact Report (EIR) was lodged on 29 July 2009 with the County of San Luis Obispo for a Conditional Use Permit to install up to 12 wells on approx 260 acres together with the production facilities for up to 1000 barrels of oil per day.

In addition the joint venture has approximately 1200 acres of leased mineral rights adjacent to the project area which is the subject of the Permit Application.

PORTER RANCH — CALIFORNIA (45% working interest)

The Porter Ranch leases, comprising approximately 9000 acres, are held by Alamo Creek Oil LLC (Alamo) a Californian incorporated company, 45% owned and jointly operated by AOC and 45% by United Hunter Oil Gas Corp (UHO) and 10% owned by CALOG LLC . The leases were briefly explored in the 1980's by Philips Petroleum Company (PPC) who drilled one well and completed extensive roadworks and well pads for 2 well sites prior to abandoning due to depressed oil prices. There has been no subsequent exploration since that time.

PPC drilled the only well on the Porter Ranch in 1984 which tested oil from 3 separate zones before encountering drilling problems and being plugged and abandoned. Alamo is currently evaluating the economics of re-drilling this well.

Adjacent wells have tested oil ranging from light (30 API) to heavy (15-18API), some with associated gas and there are numerous surface oil seeps. Within the leased area there are currently 2 anticlinal structures which have only been tested at their extremities.

Alamo is progressing with a work program which includes acquiring all historical well information, seismic data and other geological information with a view to maturing prospects for drilling.

The Huasna Basin contains thick sequences of oil prone Monterey Formation and is considered one of the most under explored basins onshore California.

PEL 182

Onshore Petroleum Exploration – Cooper Basin South Australia

In July 2011 AOC transferred 5% of its interest in PEL 182 to Strategic Energy Resources Limited for $50,000.

AOC's remaining 7.5% interest is subject to a farmout and assignment to Dome Petroleum however there are unresolved issues with Dome which is preventing the completion of this transaction which when finalized will result in AOC having no ongoing interest in this permit.

DIRECTORS' REPORT

EP 435

Onshore Exmouth Sub Basin Western Australia – 17% working interest

There has been no change in the activities in this permit. The joint venture will review the proposed work program following the drilling of the Bee-Eater well in an adjacent permit on an overlapping structure.

Timor Oil Ltd

Onshore East Timor

At this time there is no legislation in place in East Timor regarding onshore oil exploration and it is not possible to predict when any application for licences may take place.

Going Concern

The financial statements are presented on a going concern basis. The directors are not aware of any uncertainties which would cast doubt on the consolidated entity's ability to continue as a going concern.

Dividends

No dividends were paid during the period.

Subsequent Events

There are no events subsequent to the balance date which require disclosure other than the resignation of Mr Jagelman as a Director on 29 February 2012.

Options

Australian Oil Company Limited has on issue a total of 11,500,000 unlisted options to purchase ordinary shares in the Company. 6,000,000 unlisted options were issued to Directors on 9 December 2011 as approved by resolution at the Annual General Meeting and are exercisable at 25 cents per ordinary share.

5,500,000 unlisted options expire on 31 December 2012 and are exercisable at 20 cents per ordinary share.

26,015,625 listed options expired on 31 December 2011.

At the date of this report no options have been exercised.

Auditor's Declaration

The lead auditor's independence declaration under section 307C of the *Corporations Act 2001* is set out on page 5 for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors

Andrew Childs Director

Dated this 14th day of March 2012

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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 31 December 2011, 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

Scott Jarrett
Partner
Sydney
14 March 2011

Australian Oil Company Limited and Controlled Entities

ACN 114 061 433

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	31 December 2011 $	31 December 2010 $
Interest revenue		27,742	25,712
Profit on sale of shares		-	5,878
Management fees from associate		-	49,593
Sale of exploration interests	8	284,700	-
Share of (loss)/profit of associate		(83,920)	(156,360)
Administration expenses		(338,075)	(298,563)
Share based payment		(120,000)	(132,348)
Exploration expenditure written off	13	(1,079,979)	(32,356)
Loss for period before tax		(1,390,532)	(538,444)
Income tax expense		-	-
Loss for period after tax		**(1,309,532)**	**(538,444)**
Other comprehensive income			
Investment revaluation reserve		(4,050)	6,046
Foreign currency translation reserve		-	-
Income tax on items of comprehensive income		-	-
Other comprehensive income, net of tax		**(4,050)**	**6,046**
Total comprehensive income for the period		**(1,313,582)**	**(532,398)**
Loss for the period is attributable to:			
Owners of the parent		(1,309,134)	(537,107)
Non-controlling interest		(398)	(1,337)
		(1,309,532)	**(538,444)**
Total comprehensive income for the period is attributable to:			
Owners of the parent		(1,313,184)	(531,061)
Non-controlling interest		(398)	(1,337)
		(1,313,582)	**(532,398)**
Basic loss per share	7	(1.89c)	(1.04c)
Diluted loss per share	7	(1.89c)	(1.04c)

The accompanying notes form part of these financial statements.

Australian Oil Company Limited and Controlled Entities

ACN 114 061 433

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2011

	Notes	31 December 2011 $	30 June 2011 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents		1,309,995	1,735,547
Trade and other receivables		104,857	93,777
Prepayments		-	467,290
Financial assets	9	11,740	11,790
TOTAL CURRENT ASSETS		**1,426,592**	**2,308,404**
NON-CURRENT ASSETS			
Exploration expenditure	13	132,748	356,264
Plant and equipment		4,138	2,478
TOTAL NON-CURRENT ASSETS		**136,886**	**358,742**
TOTAL ASSETS		**1,563,478**	**2,667,146**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables		77,604	87,690
Unearned Income		100,000	-
TOTAL CURRENT LIABILITIES		**177,604**	**87,690**
TOTAL LIABILITIES		**177,604**	**87,690**
NET ASSETS		**1,385,874**	**2,579,456**
EQUITY			
Issued capital	10	8,511,970	8,511,970
Accumulated losses		(7,351,109)	(6,041,975)
Reserves		243,884	127,934
Non-Controlling interest		(18,871)	(18,473)
TOTAL EQUITY		**1,385,874**	**2,579,456**

The accompanying notes form part of these financial statements.

Australian Oil Company Limited and Controlled Entities
ACN 114 061 433

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

For the half-year ended 31 December 2010

	Share Capital	Retained losses	Investment Revaluation Reserve	Foreign Currency Translation Reserve	Share based payments Reserve	Non controlling Interest	Total
Consolidated Entity	$	$	$	$	$	$	$
Balance at 1 July 2010	6,492,159	(5,207,486)	9,832	(15,659)	-	(14,558)	1,264,287
Loss for the period	-	(537,107)	-	-	-	(1,337)	(538,444)
Other comprehensive income	-	-	6,046	-	-	-	6,046
Total comprehensive income/(loss) for the period	-	(537,107)	6,046	-	-	(1,337)	(532,398)
Transactions with owners in their capacity as owners:							
Share based payments	-	-	-	-	132,248		132,248
Balance at 31 December 2010	6,492,159	(5,744,594)	15,878	(15,659)	132,248	(15,895)	864,237

For the half-year ended 31 December 2011

	Share Capital	Retained losses	Investment Revaluation Reserve	Foreign Currency Translation Reserve	Share based payments Reserve	Non controlling Interest	Total
Consolidated Entity	$	$	$	$	$	$	$
Balance at 1 July 2011	8,511,970	(6,041,975)	11,345	(15,659)	132,248	(18,473)	2,579,456
Loss for the period	-	(1,309,134)	-	-	-	(398)	(1,309,532)
Other comprehensive income	-	-	(4,050)	-	-	-	(4,050)
Total comprehensive income/(loss) for the period	-	(1,309,134)	(4,050)	-	-	(398)	(1,313,582)
Transactions with owners in their capacity as owners:							
Share based payments	-	-	-	-	120,000		120,000
Balance at 31 December 2011	8,511,970	(7,351,109)	7,295	(15,659)	252,248	(18,871)	1,385,874

The accompanying notes form part of these financial statements.

CONSOLIDATED CASH FLOW STATEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

	Notes	31 December 2011 $	31 December 2010 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments to suppliers and employees		(358,695)	(311,342)
Exploration expenditure	13	-	(32,356)
Management fees received		-	49,593
Interest received		27,742	25,712
Net cash used in operating activities		**(330,953)**	**(268,393)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property plant & equipment		(2,206)	-
Payment for exploration permit	13	-	(104,206)
Payments for exploration expenditure		(389,173)	-
Payments for investments		(87,920)	(204,383)
Proceeds from sale of investments		-	53,901
Proceeds from sale of exploration interests	8	384,700	-
Net cash used in investing activities		**(94,599)**	**(254,688)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment from associate		-	26,691
Net cash from financing activities		**-**	**26,691**
Net decrease in cash held		(425,552)	(496,390)
Cash at 1 July		1,735,547	1,259,740
Cash at 31 December		**1,309,995**	**763,350**

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 1: BASIS OF PREPARATION OF THE HALF-YEAR FINANCIAL REPORT

(a) Basis of preparation

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: Interim Financial Reporting and other mandatory professional reporting requirements.

It is recommended that this half-year financial report be read in conjunction with the annual financial report for the year ended 30 June 2011 and any public announcements made by Australian Oil Company Limited ("AOC") and its controlled entities during the half-year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

In this half-year financial report the accounting policies applied are consistent with those applied in the 30 June 2011 Annual Report.

The half-year report does not include full disclosures of the type normally included in an annual financial report and therefore cannot be expected to provide as full an understanding of the financial performance, financial position and cash flows of the consolidated entity as the full financial report.

(b) Significant accounting policies

The half-year consolidated financial statements have been prepared using the same accounting policies as used in the annual financial statements for the year ended 30 June 2011. The following accounting policy has been adopted by the Group during the period.

Exploration and Evaluation Expenditure

Farm Outs

The Group does not record any expenditure made by the farmee on its account. It also does not recognise any gain or loss on its exploration and evaluation farm out arrangements but redesignates any costs previously capitalised in relation to the whole interest as relating to the partial interest retained and any consideration received directly from the farmee is credited against costs previously capitalised. To the extent that the consideration exceeds costs previously capitalised, a gain is recognised in profit or loss.

(c) Changes in accounting standards

No new standards or interpretations have been issued (either effective or not yet effective) which are considered to have a material impact on the financial statements or performance of the Company.

(d) Basis of consolidation

A controlled entity is any entity controlled by Australian Oil Company Limited whereby Australian Oil Company Limited has the power to control the financial and operating policies of an entity so as to obtain benefits from its activities.

All inter-company balances and transactions between entities in the economic entity, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with those policies applied by the parent entity.

Where controlled entities have entered or left the economic entity during the year, their operating results have been included/excluded from the date control was obtained or until the date control ceased.

Non controlling interests in the equity and results of the entities that are controlled are shown as a separate item in the consolidated financial report.

NOTE 2: CONTROLLED ENTITIES

The parent entity has 3 subsidiaries which were incorporated on 17 May 2005. The parent entity owns 100% of Australian Oil Company No 2 Pty Ltd, 100% of Australian Oil Company No 3 Pty Ltd and 100% of Australian Oil Company Investments Pty Ltd. Each company has 1 issued ordinary share of $1 each, which is owned by Australian Oil Company.

AOC has an option to acquire 52.9% of the issued shares of Timor Oil Limited. Timor Oil is consolidated within AOC (despite AOC not holding any ordinary shares in Timor Oil) as AOC has the power to govern the financial and operating policies of the entity. AOC and Timor Oil Limited have 2 common directors.

At 31 December 2011 Australian Oil Investments Pty Ltd owned 100% of the capital of Sacgasco LLC, a California corporation which was incorporated on 20 December 2010. Sacgasco was incorporated to exploit the Company's interest in the Hood-Franklin Gas Project.

Australian Oil Company Limited owns a 45% interest in Alamo Creek Oil LLC and a 100% interest in Los Alamos Oil LLC, both through its other subsidiaries.

NOTE 3: INVESTMENTS IN ASSOCIATES

As at 31 December 2011 the parent entity holds 35% of the ordinary shares of Excelaron LLC (incorporated in the USA).

NOTE 4: SEGMENT INFORMATION

Identification of reportable segments

The Company has identified its operating segments based 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.

Types of product and service by segment

As of the date of this report and during the period ended 30 June 2011 the Company operates entirely in the industry of exploration for oil and gas. The operating segments are identified based on the information presented to the chief operating decision maker.

The Company is managed primarily on its tenements. An operating segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those of segments operating in other economic environment.

Reportable segments disclosed are based on aggregating operating segments where the segments are considered to have similar economic characteristics and are also similar with respect to the type of product and service. The Company has determined that the reportable operating segments post aggregation are based on geographical locations as this is the source of the Company's major assets.

Accounting policies adopted

Unless stated otherwise, all amounts reported to the Board of directors as the chief decision maker with respect to operating segments are determined in accordance with accounting policies that are consistent to those adopted in Note 1.

Segment assets

Where an asset is used across multiple segments, the asset is allocated to the segment that receives the majority of economic value from the asset. In the majority of instances, segment assets are clearly identifiable on the basis of their nature and physical location.

Segment liabilities

Liabilities are allocated to segments where there is direct nexus between the incurrence of the liability and the operations of the segment. Tax liabilities are generally considered to relate to the Company as a whole and are not allocated. Segment liabilities include trade and other payables.

Corporate office activities

Corporate office activities are not allocated to operating segments and form part of the reconciliation to net profit/ (loss) after tax.

Basis of accounting for purposes of reporting by operating segments

Segment Result

Segment Result 31 December 2011	**Australia** $	**US** $	**Total** $
Segment result	50,000	(929,199)	(879,199)
Reconciliation of segment net profit after tax to net profit/ (loss) before tax:			
Other revenue			27,742
Corporate, professional and other expenses			(457,529)
Depreciation expense			(546)
Net (loss) before tax per the statement of comprehensive income			(1,309,532)

NOTE 4: OPERATING SEGMENTS (continued)

Segment Result 31 December 2010	Australia	US	Total
	$	$	$
Segment result	-	(156,360)	(156,360)
Reconciliation of segment net profit after tax to net profit/ (loss) before tax:			
Other revenue			75,305
Profit on sale of shares			5,878
Corporate, professional and other expenses			(430,556)
Exploration expenditure written off			(32,356)
Depreciation expense			(355)
Net (loss) before tax per the statement of comprehensive income			(538,444)

Segment Assets 31 December 2011	Australia	US	Total
	$	$	$
Segment operating assets	-	132,748	132,748
Cash and cash equivalent	-	-	1,309,995
Trade and other current assets	-	-	116,597
Property, plant and equipment	-	-	4,138
Total assets per the statement of financial position	-	-	1,563,478

Segment Assets 30 June 2011	Australia	US	Total
	$	$	$
Segment operating assets	-	823,554	823,554
Cash and cash equivalent	-	-	1,735,547
Trade and other current assets	-	-	105,567
Property, plant and equipment	-	-	2,478
Total assets per the statement of financial position	-	-	2,667,146

Segment Liabilities

Liabilities of $177,604 (June 2011: $87,690) per the statement of financial position are not allocated to operating segments as they relate to corporate office activities.

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 5: CONTINGENT LIABILITIES

During the previous year, claims were made against AOC No 2 Pty Limited by one joint venture partners in PEL182. At this stage these claims are at too early a stage to estimate any liability that may arise. The company has disclaimed any liability relating to these claims and the directors are confident that there are reasonable grounds for defense for both claims.

The consolidated entity and the company have no other contingent liabilities as at 31 December 2011.

NOTE 6: EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to the balance date which require disclosure other than the resignation of Mr Jagelman as a Director of the Company.

NOTE 7: LOSS PER SHARE

		Half-year ended 31 December 2011 $	Half-year ended 31 December 2010 $
a.	Loss used to calculate loss per share		
	Loss after tax attributable to ordinary equity holders of the parent	(1,309,134)	(537,107)
		(1,309,134)	(537,107)
		No.	**No.**
b.	Weighted average number of ordinary shares outstanding during the period used in calculating basic and diluted loss per share	69,016,667	51,762,500
	The diluted loss per share is the same as the basic loss per share as the consolidated entity is in a loss position	(1.89c)	(1.04c)

NOTE 8: SALE OF EXPLORATION INTERESTS	2011	2010
	$	$
Profit on sale of US interests (1)	234,700	-
Profit on sale of Australian interests (2)	50,000	-
Total	284,700	-

(1) On 12 July 2011, AOC sold its wholly owned subsidiary CALOG LLC ("CALOG") to Bombora Energy Pty Ltd ("Bombora") for a consideration of $350,000. 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. AOC have also granted an option to Bombora to purchase an additional 10% interest in the project currently held by AOC which expires on 30 June 2012. $100,000 of the consideration has been recognised as unearned income relating to AOC's obligation to fund the free carry. $15,300 has been credited against costs previously capitalised in relation to the project with the remaining $234,700 recognised as a gain on sale of exploration interests in accordance with AOC's accounting policy.

(2) In July 2011 AOC transferred 5% of its interest in PEL 182 to Strategic Energy Resources Limited for $50,000.

NOTE 9: FINANCIAL ASSETS

Available for sale financial assets		
Balance at the beginning of the period	11,790	10,277
Acquired	4,000	48,023
Sold	-	(48,023)
Gain/(loss) in fair value	(4,050)	6,046
Balance at end of the period	11,740	16,323

Available for sale financial assets comprise investments in ordinary issued capital of listed entities. There are no fixed returns or fixed maturity attached to these investments

NOTE 10: ISSUED CAPITAL	31 December 2011	30 June 2011
	$	$
69,016,667 (30 June 2011 – 69,016,667) fully paid ordinary shares	8,511,970	8,511,970

Ordinary shares participate in dividends and the proceeds on winding up of the parent entity in proportion to the number of shares held. At the shareholders meetings each ordinary share is entitled to one vote

NOTES TO THE FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 31 DECEMBER 2011

NOTE 11: OPTIONS

Australian Oil Company Limited has on issue a total of 11,500,000 unlisted options to purchase ordinary shares in the Company. 6,000,000 unlisted options were issued to Directors on 9 December 2011 as approved by resolution at the Annual General Meeting and are exercisable at 25 cents per ordinary share.

5,500,000 unlisted options expire on 31 December 2012 and are exercisable at 20 cents per ordinary share. 26,015,625 listed options expired on 31 December 2011.

At the date of this report no options have been exercised.

NOTE 12: RELATED PARTIES

There have been no significant changes to the nature of related party transactions as disclosed in the last financial report. All transactions with related parties are conducted on normal commercial terms and conditions. Total amount paid to directors for the half-year ended 31 December 2011 amounted to $207,496.

The Company offices are rented for $5,775 per month from a company fully owned by Mr G Jagelman (who resigned as a Director on 29 February 2012. The rent is paid at normal market rates.

An amount of $71,753 (2010: $71,753) is recoverable as at 31 December 2011 from Excelaron LLC, an associate of AOC. Future cash calls required to be paid to Excelaron from AOC will be offset against this receivable.

The Company's subsidiary, CALOG LLC was sold to Bombora Energy Pty Ltd for $350,000. Mr Andrew Childs is a Director of Bombora Energy Pty Ltd and directly or indirectly has an 11.6% interest in the issued capital of the company.

NOTE 13: DEFERRED EXPLORATION EXPENDITURE	2011 $	2010 $
Opening 1 July	356,264	-
Costs incurred during period	856,463	136,562
Costs expensed during period	(1,079,979)	(32,356)
Closing 31 December	132,748	104,206

NOTE 14: COMMITMENTS

The consolidated entity, through its subsidiary companies, has commitments under farm-in agreements and other agreements to contribute funding to the exploration activities as envisaged under those agreements.

As continued drilling under those agreements is in most cases dependent upon reserves being found and/or the ongoing agreement with farm-in partners that drilling should continue, it is not possible to exactly set out the funds due to be contributed. In relation to the investment in Excelaron, the consolidated entity is not committed to any expenditure or capital commitments of the farm-in partners should they cease to continue as operators.

DIRECTORS' DECLARATION

In accordance with a resolution of the directors of Australian Oil Company Limited, I state that:

In the opinion of the directors:

(a) the financial statements and notes of the consolidated entity are 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 2011 and of its performance for the half year ended on that date; and

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

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

(c) this declaration has been made after receiving the declarations required to be made to the Directors in accordance with section 295A of the Corporations Act 2001 for the half year ending 31 December 2011.

On behalf of the Board

Director

Andrew Childs

Dated this 14th day of March 2012

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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 statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and condensed 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 period.

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 31 December 2011 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.

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Conclusion

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 31 December 2011 and of its performance for the half-year ended on that date; and

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

Ernst & Young

Ernst & Young

Scott Jarrett
Partner
Sydney
14 March 2012