



31 October 2014

Australian Oil Company Limited
ASX: AOC

**Onshore assets
Sacramento Basin,
California**

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

Corporate Structure

Shares on issue: 92.3 M
Market Cap: \$13.4 M
52 week high: 21 cents
52 week low: 7.6 cents

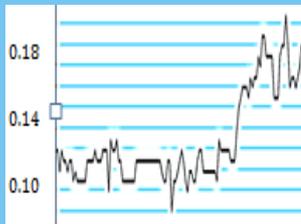
Directors

Andrew Childs
(Chairman)

Gary Jeffery
(Managing Director)

Keith Martens
(Technical Director)

David McAuthur
(Company Secretary)



AOC 6 month Share Price Chart

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SEPTEMBER 2014 QUARTERLY ACTIVITY REPORT

Summary:

- **Focused on developing conventional multi-Tcf gas opportunities in proven Sacramento Basin, onshore California**
- **Targeting supply to large Californian gas market and growing North American export LNG markets**
- **Discussions progressing well with potential funding partners in North America**
- **Dempsey Prospect drilling application proceeding as planned**
- **AOC working to commence drilling at Dempsey and Alvares Prospects earlier than anticipated**
- **OXY subsidiary preparing to drill potential multi-Tcf gas prospect on trend with AOC's Alvares appraisal stage prospect**

Californian-focused oil and gas developer Australian Oil Company Limited (ASX: AOC) ("the Company") is pleased to provide shareholders with its quarterly activity report for the period ending 30 September 2014.

During the quarter, AOC continued to solidify its position in the Sacramento Basin, where it is currently focused on developing the Dempsey exploration prospect and Alvares appraisal prospect. The Dempsey and Alvares prospects have gross unrisked best estimate recoverable prospective resources of 1 TCF and 2.4 TCF respectively.

Importantly, AOC's prospects are located within 25 kilometres of under-filled gas trunklines that connect to the local Californian gas market and to 13 planned LNG export terminals on the West Coast of the US and Canada.

Large gas resources can be produced with very attractive economic return at gas prices below US\$3 per mcf. Gas prices in California have more than doubled in recent years to over US\$4 per mcf.

Furthermore, the Company observes that the planned LNG export market located within close proximity to AOC leases is ~ 20 Bcf/day (7 Tcf per year).

In September, AOC commenced permitting to drill the Dempsey exploration prospect with the application expected to be finalised in Q4 2014.

Corporately, AOC has been actively progressing discussions with a number of potential funding partners in North America and elsewhere, who have expressed a strong interest in participating in the development of the Dempsey and Alvares prospects respectively.

EXPLORATION AND NEW VENTURES

SACRAMENTO BASIN - Onshore Northern California

Exploration leases have continued to be acquired, or renewed, resulting in approximately 19,000 acres currently controlled within the Sacramento Basin. AOC has a working interest (WI) between 40% and 70% in these leased lands.

The Company has recently reprocessed a select amount of the 2D seismic data acquired from the Sacramento Basin during the June quarter. This improved data will assist AOC in identifying additional priority prospects for exploration drilling.

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

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

In September, 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.

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

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

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

AOC is aiming to commence drilling at the Dempsey prospect in late 2014 or early 2015.

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

The Alvares prospect is located close to large natural gas pipelines and is on trend 35 miles from the structurally similar multi-Tcf Tulainyo Project (based on the James well drilled in 1947), mapped by Cirque Resources and involving Occidental Petroleum Corporation (OXY), California's largest oil and gas company. Drill site preparations have commenced and the well is expected to spud later this year.

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

AOC is currently progressing discussions with a number of potential funding partners regarding the drilling of the Alvares prospect which is scheduled for early 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 40% working interest in gas production rights in the above fields in the Sacramento Basin onshore California in late 2012 primarily as a means to acquire leases for further exploration and access an extensive 3D seismic database to generate new exploration opportunities. AOC acquired an additional 15% WI in these wells effective 1 January 2014.

Production	September 2014 Quarter	June 2014 Quarter
Gross mcf ** (100%)	35,400	54,253
Net AOC mcf (after Royalty)	13,282	20,346*

* Corrected

**mcf – Thousand Cubic feet gas

Reduced production during the reporting quarter was due to some wells being temporarily shut in waiting on pipeline repairs by the pipeline operator.



AOC's oil and gas assets, onshore California

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

Porter Ranch oil project (AOC 45% WI)

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

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

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

NON-CORE ASSETS

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

Appraisal / Development Stage

Mankins Ranch oil field project (AOC 35% WI)

AOC is currently reviewing its options related to the Mankins Project.

SAN JOAQUIN BASIN - Onshore Southern California

Facility Development

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

Activities to licence use of the well SCU #1-24 as a commercial water injection well have progressed. Activities to better assess the injection capacity of the well are in planning.

CORPORATE ACTIVITY

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

In addition, AOC Managing Director Gary Jeffery presented to shareholders and investors at the annual Good Oil Conference held in Fremantle, Western Australia (refer ASX release dated 7 September 2014).

**ISSUED CAPITAL at 30 October 2014**

Ordinary Shares	92,311,257
Unlisted Options exercisable 31 Dec 2014	16,500,000
Unlisted Options exercisable 31 Dec 2015	11,500,000
Unlisted Options exercisable 31 Dec 2016	500,000

Note: On 25 July 2014 shareholders approved the issuing of 648,501 ordinary shares in lieu of director and consulting fees from 1 November 2013 until 30 June 2014, and 500,000 unlisted options exercisable at 25 cents expiring 31 December 2016. An additional 196,918 ordinary shares were issued in October 2014 in lieu of director and consulting fees for the September 2014 quarter.

AOC Managing Director Gary Jeffery commented, “AOC continued to strengthen its position in the Sacramento Basin during the September quarter, as we build towards the commencement of drilling at our key Dempsey and Alvares gas prospects in coming months.

During the quarter, AOC remained very active at a corporate level, exploring funding options and progressing discussions with potential funding partners in North America, who have indicated a genuine interest in the development of Dempsey and Alvares. We will continue to progress these discussions in coming weeks and will provide a further update to shareholders when possible.

The Company is excited by the underlying value and growth potential of our onshore assets in California and we remain committed to unlocking significant shareholder value through the strategic exploration and development of our oil and gas portfolio.”

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

Gary Jeffery
Managing Director
+61 8 9226 0866

Sam Burns
Six Degrees Investor Relations
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Australian Oil Company Background

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

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Leases:

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

Competent Persons

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

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

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

Appendix 5B

Mining exploration entity quarterly report

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

Name of entity

AUSTRALIAN OIL COMPANY LIMITED

ABN

83 114 061 433

Quarter ended ("current quarter")

30 SEPTEMBER 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for		
(a) exploration and evaluation	(377)	(377)
(b) development	-	-
(c) production	-	-
(d) administration	(77)	(77)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received / (paid)	-	-
1.7 Other -	-	-
Net Operating Cash Flows	(453)	(453)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	(265)	(265)
(c) other fixed assets	-	-
1.9 Proceeds from sale of:		
(a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other -	-	-
Net investing cash flows	(265)-	(265)
1.13 Total operating and investing cash flows (carried forward)	(718)	(718)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(718)	(718)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	-
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	(1)	(1)
	Net financing cash flows	(1)	(1)
	Net increase (decrease) in cash held	(719)	(719)
1.20	Cash at beginning of quarter/year to date	1,200	1,200
1.21	Exchange rate adjustments to item 1.20	8	8
1.22	Cash at end of quarter	489	489

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

	Current quarter \$A'000	
1.23	Aggregate amount of payments to the parties included in item 1.2	39
1.24	Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

1.23 - Includes salaries and fees paid to directors.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

None

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

None

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	120
4.2 Development	-
4.3 Production	-
4.4 Administration	108
Total	228

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	489	1,200
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	489	1,200

Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 Preference +securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions	N/A	N/A	N/A	N/A
7.3 +Ordinary securities **	92,114,339	92,114,339	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 +Convertible debt securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options <i>(description and conversion factor)</i>	6,000,000 10,500,000 11,500,000 500,000	- - - -	<i>Exercise price</i> 25 cents 25 cents 25 cents 25 cents	<i>Expiry date</i> 31 December 2014 31 December 2014 31 December 2015 31 December 2016
7.8 Issued during quarter	-	-	-	-
7.9 Exercised during quarter	N/A	N/A	N/A	N/A
7.10 Expired during quarter				
7.11 Debentures <i>(totals only)</i>	Nil	N/A		
7.12 Unsecured notes <i>(totals only)</i>	Nil	N/A		

+ See chapter 19 for defined terms.

Compliance statement

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

Sign here: 
Company Secretary

Date: 31 October 2014

Print name: David M McArthur

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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