



30 April 2015

Australian Oil Company Limited
ASX: AOC

Onshore assets Sacramento Basin, California

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

Corporate Structure

Shares on issue: 93 M
Market Cap: \$4.65 M
52 week high: 21 cents
52 week low: 5 cents

Directors

Andrew Childs
(Chairman)

Gary Jeffery
(Managing Director)

Keith Martens
(Technical Director)

David McArthur
(Company Secretary)



AOC 6 month Share Price Chart Compared with ASX Energy Index

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MARCH 2015 QUARTERLY ACTIVITY REPORT

Summary:

- **Targeting gas supply to 2.5 Tcf per year Californian domestic gas market and growing North American export LNG markets**
- **Focused on unlocking value through farmout of potential company making multi-Tcf gas prospects in the Sacramento Gas Basin, onshore California**
- **Intrinsic value of AOC’s conventional gas assets has remained largely unaffected by fall in oil and gas prices**
- **Geological and Geophysical information reinforces multi-Tcf conventional gas production potential**
- **Discussions continuing with potential funding partners for drilling of Dempsey and Alvares prospects**

Californian-focused oil and gas developer Australian Oil Company Limited (ASX: AOC) (“the Company”) provides shareholders with its quarterly activity report for the period ended 31 March 2015.

AOC’s experienced management team has assembled a robust portfolio of large-scale conventional gas prospects in the Sacramento Basin, located close to under-filled gas trunklines connecting to the local Californian gas market.

The Company’s flagship prospects are Dempsey and Alvares, which have gross unrisked best estimate recoverable prospective resources of 1 TCF and 2.4 TCF respectively.

Furthermore, AOC continued to advance discussions with potential funding partners who have expressed interest in participating in the development of the Dempsey and Alvares prospects.

During the quarter, AOC worked to put in place necessary approvals which will allow the rapid commencement of drilling activities once a suitable funding partner has been identified.

Large gas resources can be produced with very attractive economic return at gas prices significantly below US\$3 per mcf. Current gas prices in the 2.5 Tcf / year California gas market are around US\$2.90 / mcf, a 35 cent premium to Henry Hub gas prices.

AOC’s oil and gas leases have no drilling obligations and generally are in the 2nd year of their 5 year terms and can be maintained by very affordable annual rental payments, allowing the company to be patient in the current industry environment.

SACRAMENTO BASIN - Onshore Northern California

EXPLORATION, APPRAISAL AND NEW VENTURES

Exploration leases have continued to be maintained within the Sacramento Basin during the quarter. 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 Alvares and Dempsey 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.

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

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

The Dempsey gas prospect has been identified as one of AOC's priority development targets with the potential for near-term, multi-Tcf gas production. AOC has commenced permitting to drill the conventional Dempsey gas prospect which is located below existing AOC production facilities.

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, from 7 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).

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 10 mmcf/gpd, which are connected to the interstate pipeline networks, would be used to sell the gas with minimum delay.

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

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

AOC's other priority prospect is the Alvares gas appraisal prospect located close to large natural gas pipelines and on trend 35 miles from the structurally similar multi-Tcf Tulainyo Project (based on the James well drilled in 1947), mapped by Cirque Resources and involving California Resources Corporation, California's largest oil and gas company. AOC understands that drilling operations at the Tulainyo project were undertaken, however no further information has been made public. Information required by the regulator on the drilling has been classified as confidential.

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

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

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

PRODUCTION UPDATE

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

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

<i>Production</i>	<i>March 2015 Quarter</i>	<i>December 2014 Quarter</i>
Gross mcf * (100%)	49,583	55,348
Net AOC mcf (after Royalty)	18,565	20,743

**mcf – Thousand Cubic feet gas*



AOC's oil and gas assets, onshore California

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

EXPLORATION

Porter Ranch oil project (AOC 45% WI)

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

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

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

SAN JOAQUIN BASIN - Onshore Southern California

FACILITY DEVELOPMENT

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

Activities to licence use of the well SCU #1-24 as a commercial water injection well were further advanced during the March quarter.

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

APPRAISAL / DEVELOPMENT STAGE

Mankins Ranch oil field project (AOC 35% WI)

AOC is reviewing its options related to the Mankins Project.

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

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

The drilling of the Dempsey and Alvares gas prospects remain the core focus for AOC as it works to realise the significant potential of these assets.

The formation of Cal LNG, which was encouraged by discussions with prospective farminee, allows AOC to concurrently advance the development of proposed LNG facilities, which will be important should the prospectivity expectations of the AOC prospects prove to be conservative.

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

AUSTRALIAN OIL COMPANY LIMITED		
Tenement 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 quarter		

CORPORATE ACTIVITY

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

AOC has changed its financial year-end from 30 June to 31 December. This change synchronises AOC's financial reporting with that of its operating subsidiaries in the USA and will facilitate the delivery of consistent reporting to shareholders and other stakeholders.

ISSUED CAPITAL at 28 April 2015

Ordinary Shares	93,006,039
Unlisted Options exercisable @ 25 cents 31 Dec 2015	11,500,000
Unlisted Options exercisable @ 25 cents 31 Dec 2016	500,000

Note: On 25 July 2014 shareholders approved the issuing of AOC ordinary shares in lieu of director and consulting fees. A total of 190,397 ordinary shares were issued in January 2015 in lieu of director and consulting fees for the December 2014 quarter. Subsequent to the end of the March quarter, 504,385 ordinary shares were issued in April 2015 in lieu of directors and consulting fees for the March 2015 quarter.

AOC moved its Perth office to Unit 14, 2nd Floor Octo Building, 210 Bagot Road Subiaco during the quarter 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.

AOC Managing Director Gary Jeffery commented:

“During the March quarter the team continued to work diligently towards the commencement of drilling at our Dempsey and Alvares prospects – with the identification and securing of a suitable funding partner our main priority.

The Company’s experienced management team has utilised its extensive network of industry contacts to actively progress discussions with potential funding partners who have indicated a genuine interest in the development of Dempsey and Alvares.

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

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

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

Gary Jeffery
Managing Director
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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")

31 MARCH 2015

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	(84)	(84)
(b) development	-	-
(c) production	-	-
(d) administration	(29)	(29)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes received / (paid)	(1)	(1)
1.7 Other -	-	-
Net Operating Cash Flows	(114)	(114)
Cash flows related to investing activities		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	-
(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	-	-
1.13 Total operating and investing cash flows (carried forward)	(114)	(114)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(114)	(114)
	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	50	50
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other – capital raising costs	(2)	(2)
	Net financing cash flows	48	48
	Net increase (decrease) in cash held	(66)	(66)
1.20	Cash at beginning of quarter/year to date	119	119
1.21	Exchange rate adjustments to item 1.20	1	1
1.22	Cash at end of quarter	54	54

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

1.16 & 3.1 – Loan facilities from 2 directors
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

190,397 fully paid ordinary shares at 12.5 cents each were issued to directors of the company in lieu of director fees

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

None

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	155	50
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	-
4.2 Development	-
4.3 Production	-
4.4 Administration	50
Total	50

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	54	119
5.2 Deposits at call	-	-
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	54	119

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 **	92,501,654	92,501,654	N/A	N/A
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs	190,397	190,397	12.5 cents	12.5 cents
7.5 +Convertible debt securities <i>(description)</i>	Nil	N/A	N/A	N/A
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted	N/A	N/A	N/A	N/A
7.7 Options <i>(description and conversion factor)</i>	11,500,000 500,000	- -	<i>Exercise price</i> 25 cents 25 cents	<i>Expiry date</i> 31 December 2015 31 December 2016
7.8 Issued during quarter	-	-		
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:  Date: 30 April 2015
Company Secretary

Print name: David M McArthur

Notes

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

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+ See chapter 19 for defined terms.