AUSTRALIAN OIL COMPANY LIMITED

ABN 83 114 061 433

ANNUAL REPORT

2014

CONTENTS

CORPORATE DIRECTORY

DIRECTORS AND COMPANY SECRETARY:

Andrew Childs
Non-executive Chairman

Gary Jeffery
Managing Director

Keith Martens
Non-executive Director

David McArthur
Company Secretary

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AUDITORS:

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WEBSITE AND EMAIL:

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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

REVIEW OF OPERATIONS

HIGHLIGHTS

- **Strategy affirmed as:**

  "Next generation exploration in the proven Sacramento Basin in California, targeting big gas to supply the Californian gas market and burgeoning LNG market on the west coast of North America"

- **Acquisition of additional interest (15% Working Interest) early April 2014, effective 1 January 2014 in producing wells for associated exploration potential.**

- **Technical evaluation of conventional gas prospects and leasing of related lands.**

- **Ongoing permitting and planning for drilling exploration wells.**

- **Commencement of discussions with potential strategic partners and farminees.**

- **The Company issued 11,930,326 shares to raise $1,193,032 before fees.**

- **The company sold its interests in Australian Permits EP 435 and PEL 182 to focus on California.**

STRATEGY

During the period AOC has affirmed its strategy as:

"Next generation exploration in the proven Sacramento Basin in California, targeting big gas to supply the Californian gas market and burgeoning LNG market on the west coast of North America"

For the last 18 months, AOC has been developing attractive underexplored, big conventional gas plays under the established Sacramento Gas Basin. The Sacramento Basin has produced around 9 Tcf gas with the largest field having produced 3.5 Tcf gas.

In support of the play, the company has secured through leasing access to over 14,000 acres of prospective land, generally within 15 kilometres of major gas trunklines that connect to the North American gas pipeline network in the USA and Canada. Locally California imports over 95% of its gas from other US states and Canada.

The pipeline network connects to multiple planned North American LNG export projects and their proposed service pipelines, including the proposed British Columbia, Canada LNG plants, Oregon and Jordon Cove LNG and Energia Costa Azul LNG plant in Baja California.

AOC estimates that the LNG export market on the West Coast of the US, and within easy reach of AOC leases, is 2 Bcf/day (~0.7 Tcf/per year) and up to 20 Bcf/day in British Columbia, Canada.

REVIEW OF OPERATIONS (continued)

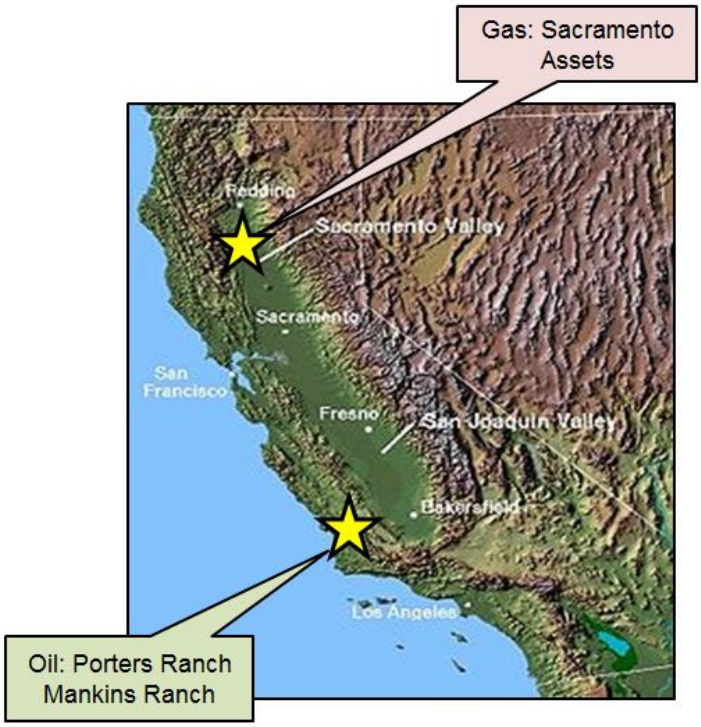
STRATEGY (continued)

AOC is focused on onshore **Conventional Gas Plays** which AOC assess to have the following characteristics that marry well with the needs of large Power plant and industrial users and LNG export plants**:**

- Easy to Increase / Decrease Volumes
- Large gas volumes from less wells
- Lower Capital (Drilling) and Operating Expenses
- Lower well densities and acreage lease rental costs
- Acceptable Return on Investment at gas prices of US$2.50+ / mcf
- Proximity to Californian power plants and gas customers, and
- Proximity to proposed West Coast North American LNG export plants.

AOC has a view that US gas supplies are not as commercially plentiful as commonly perceived, and furthermore, that US gas prices are not sustainable at prices less than US$5-$6 per mcf.

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



The USGS (2003) has assessed that there are limited remaining gas resource potential in the Sacramento Basin. However this assessment is based on the two producing petroleum systems in the Sacramento Basin and ignores additional petroleum systems that can be demonstrated from well intersection and surface geology and gas shows and gas flows.

Furthermore, a key AOC generated play trend has been independently validated by public announcements of Multi-Tcf gas potential in a prospect on geologic trend and only 30 miles from the AOC leases.*

REVIEW OF OPERATIONS (continued)

STRATEGY (continued)

AOC has no work program obligations and hence can manage its exploration, including drilling programs according to its ability to fund.

AOC plans to invite strategic partners and or farminees to assist in the funding of some or all its exploration drilling program. Such discussions have been encouraging to date and are ongoing.

SACRAMENTO BASIN (Onshore Northern California)

Exploration and New Ventures:

Exploration leases have continued to be acquired, or renewed, resulting in approximately 14,000 acres leased at the end of the period. AOC has a working interest (WI) between 40% and 70% in these leased lands which are subject to land owner royalties of up to 20%.
Offers to lease up to 10,000 acres of additional land are awaiting confirmation signatures from mineral right owners.

In the second quarter the company purchased the rights to 1,447 kilometres (900 miles) of 2D seismic data in the Northern Sacramento Basin. An additional 103 miles of 2D seismic data in the Basin was purchased in 2014. These data will be used to define current and additional prospects for exploration drilling.

Mapping to date has resulted in the interpretation of multiple prospects with potential recoverable prospective resources of gas ranging from 50 BCF (smaller prospects) to over 2 Tcf (best estimate)*.

These prospects are based on an assessment of all available seismic and geological information including petrophysical evaluations of previously drilled wells and the shows and flows of gas in those wells.

The estimates are preliminary and further seismic acquisition or purchases, and interpretation may be required before these prospects are ready for drilling

Some of the prospects being prepared for drilling are considered to be relatively low risk because they rely on offsetting and / or re-entering wells with nearby production or with extensive shows of gas that were not considered commercially significant at the time of drilling in the period from the 1940's to mid-1980's.

* *Refer AOC ASX release – Good Oil Conference Presentation, 9 September 2014*

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

REVIEW OF OPERATIONS (continued)

SACRAMENTO BASIN (Onshore Northern California) (continued)

Brentwood AMI Terminated

On 1 July 2014 AOC terminated all its rights in the Brentwood Area of Mutual Interest, (refer ASX announcement 21 March 2013) due to the assessed lower prospectivity compared to the other assets in AOC's asset portfolio.

Production:

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. AOC acquired an additional 15% WI in these wells effective 1 January 2014.

The initial acquisition was counter-cyclical when gas prices were below US$2 /mcf. Recent gas prices have averaged around US$5 per mcf for the June 2014 Quarter. Californian spot gas prices have averaged over US$0.50 per mcf more than the Henry Hub benchmark gas prices in the same period.

Production	FY 2014 Full Year	June 2014 Half Year	December 2013 Half Year
Gross MCF (100%)	226,816	109,739	117,077
Net AOC MCF (after Royalty)**	82,602	50,648	31,954

** Note AOC WI increased from 40% to 55% for March & June 2014 Quarter
MCF – Thousand Cubic feet gas

REVIEW OF OPERATIONS (continued)

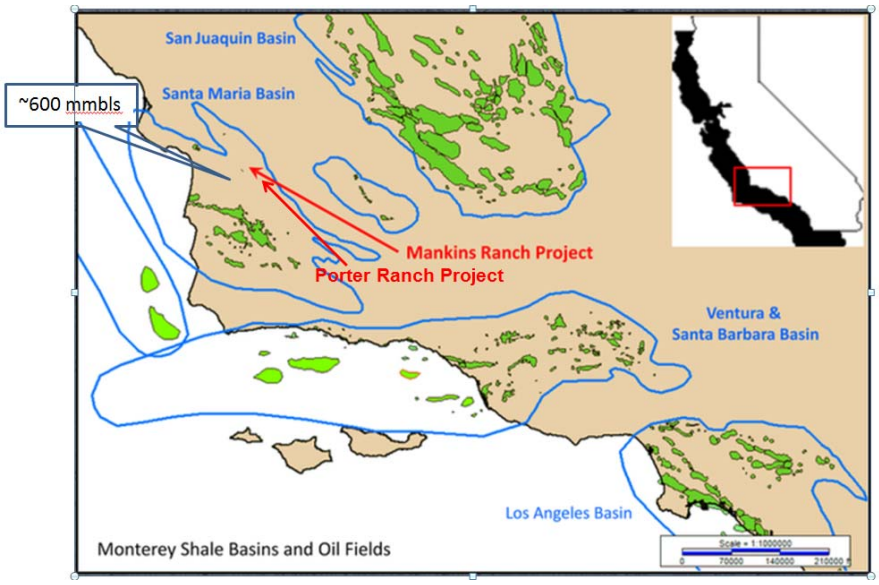
SANTA MARIA BASIN (HUASNA SUB-BASIN) Onshore Southern California

Exploration

PORTER RANCH OIL PROJECT (AOC 45% Working Interest)

The Porter Ranch Project in San Luis Obispo County consists of over 9000 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 approximately 1500 metres to test the Monterey oil reservoirs in 2014.



The first prospect planned to be drilled has estimated recoverable prospective resources of over 10 million barrels of oil (best estimate**). 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.

***Refer AOC Annual Report 2013*
***The estimated quantities of petroleum that may potentially be recovered by the applicaton of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons.*

The San Luis Obispo's County Planning Department accepted as complete the minor use permit application to drill up to 4 exploration wells on the Porter Ranch. The operator has subsequently amended that permit application to limit the exploration to a single well to help alleviate local concerns related to drilling of multiple wells in the area. The company awaits the grant of permission to drill.

REVIEW OF OPERATIONS (continued)

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

Appraisal / Development

MANKINS RANCH OIL FIELD PROJECT (AOC 35% Working Interest)

Legal procedures to resolve issues blocking progress on producing Monterey Formation oil from the regulator designated Mankins Ranch Oil Field continued during the period.

Subsequent to the end of the period The Second Appellate District, Court of Appeal of the State of California has affirmed the Superior Court of California, County of San Luis Obispo's ruling to dismiss the writ and takings lawsuit filed by Excelaron, LLC (AOC is a 35% partner of Excelaron) in regards to the San Luis Obispo Board of Supervisors denial of the permit to drill the Mankin's (Huasna) Oil Field.

AOC is currently reviewing its options related to the Huasna Prospect.

SAN JOAQUIN BASIN (Onshore Southern California)

Facility Development

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

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

In the adjacent area to this well, there are large volumes of water produced from high water-cut oil reservoirs. Disposal of the produced water can make permitted water-disposal wells attractive economic assets in California.

SETTLEMENTS

PEL 182

Australian Oil Company Ltd (AOC) sold its 7.5% interest in PEL 182 to Joint Venture partners Senex Energy Ltd and Drillsearch Energy Ltd for $3,750,000.

An agreement was reached whereby Dome received $2,000,000 of the proceeds and AOC received the balance of $1,750,000.

EP 435

During the year the Company also sold its 17% interest in EP435 for $35,700.00 to the Joint Venture Operator Empire Oil and Gas NL.

REVIEW OF OPERATIONS (continued)

CAPITAL RAISING SHARE PLACEMENT

The company completed a placement in early February 2014 to institutional and sophisticated investors of 11,930,326 new ordinary shares at 10 cents per share to raise $1,193,032.

The funds raised will primarily be used to fund the Company's exploration expenditure and working capital requirements.

The Company now has 91,465,838 shares on issue.

ISSUED CAPITAL at 30 June 2014

Ordinary Shares	91,465,838
Unlisted Options exercisable 31 Dec 2014	16,500,000
Unlisted Options exercisable 31 Dec 2015	11,500,000

On 25 July shareholder approved the issuing of 648,501 ordinary shares in lieu of director fees and consulting fees from 1 November 2013 until 30 June 2014, and 500,000 unlisted options exercisable at 25 cents expiring 31 December 2016

Managing Director

Gary Jeffery
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 presentation has been reviewed by Australian Oil Company's Technical Director, Mr Keith Martens, who has over 35 years' 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.

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. Such listing may also lead to a loss of competitive advantage and reduced value to shareholders. Leased acreage totals are included in this report.

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 financial year ended 30 June 2014.

1. DIRECTORS

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

Name	Period of Directorship
Executive	
Andrew Childs	Director since 25 November 2008
Gary Jeffery	Director since 24 October 2013
Non-executive	
Keith Martens	Director since 14 June 2011
Mark Ohlsson	Director from 1 May 2013 to 24 October 2013

Andrew Childs
Executive Chairman
Appointed Chairman on 7 January 2009

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

Other current directorships

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

Former directorships in the past three years

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

Special responsibilities
None

Interest in shares and options
4,405,336 ordinary shares
6,000,000 options

1. DIRECTORS (continued)

Gary Jeffery
Managing Director
Appointed Managing Director on 6 November 2013

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

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

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

Other current directorships
None

Former directorships in the past three years

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

Special responsibilities
None

Interest in shares and options
1,483,914 ordinary shares
5,000,000 options

Keith Martens
Non-executive Director

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

Other current directorships
None

Former directorships in the past three years
None

Special responsibilities
None

Interest in shares and options

2,364,796 ordinary shares
10,500,000 options

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

2. COMPANY SECRETARY

David McArthur is a Chartered Accountant and was appointed to the position of Company Secretary on 24 October 2013. Mr McArthur has over 28 years' experience in the corporate management of publicly listed companies.

3. DIRECTORS' MEETINGS

The number of meetings of the Company's Board of Directors held during the year ended 30 June 2014, and the number of meetings attended by each director was:

Director	Full meetings of directors	
	No. of meetings attended	No. of meetings held whilst a director
Andrew Childs	3	3
Gary Jeffery	-	-
Keith Martens	3	3
Mark Ohlsson	3	3

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

4. PRINCIPAL ACTIVITIES

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

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

5. OPERATING AND FINANCIAL REVIEW

Overview

Australian Oil Company Limited is listed on the Australian Securities Exchange (ASX: AOC) and has approximately 92.1 million shares on issue. The Group's primary asset is the Sacramento Basin project in California, USA.

Summary of material transactions

On 22 October 2013 the Company entered into an Area of Mutual Interest Alliance with Xstate Resources Limited in relation to joint venture opportunities in California, USA.

On 21 November 2013 the Company resolved all outstanding issues with respect to the farm-out of a 7.5% interest in PEL182 to Dome Petroleum Resources PLC. The 7.5% interest was sold for A$3,750,000 with A$2,000,000 of the proceeds paid to Dome and A$1,750,000 to the Company.

On 10 December 2013 the Company acquired the rights to an additional 1,447 kilometres of 2D Seismic in California.

5. OPERATING AND FINANCIAL REVIEW (continued)

Summary of material transactions (continued)

On 9 April 2014 the Company acquired a working interest of 15% in eight gas wells and associated leases and equipment in the onshore Sacramento Basin in Northern California for $220,000. The acquisition was effective from 1 January 2014. The acquisition increased the Company's working interest in the acquired assets to 55%.

Financial results

The profit for the financial year ended 30 June 2014 attributable to members of Australian Oil Company Limited after income tax was $321,234 (2013: loss of $1,176,066).

The directors recommend that no dividend be provided for the year ended 30 June 2014 (2013: Nil).

Review of financial condition

The net assets of the Group increased by $1,878,068 from $563,341 at 30 June 2013 to $2,441,409 at 30 June 2014.

Significant changes in the state of affairs

In the opinion of the directors there were no matters that significantly affected the state of affairs of the Group during the financial year in review, other than those matters referred to in the summary of material transactions and operations report.

6. DIVIDENDS

The directors recommend that no dividend be provided for the year ended 30 June 2014 (2013: Nil).

7. EVENTS SUBSEQUENT TO REPORTING DATE

Other than the matters disclosed in note 30 of the notes to the consolidated financial statements, there have been no matters or circumstances that have arisen since the end of the financial year that have significantly affected, or may significantly affect, the operations of the Group, the results of these operations, or the state of affairs of the Group in future financial years.

8. LIKELY DEVELOPMENTS

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

9. ENVIRONMENTAL REGULATION

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

10. DIRECTORS' INTERESTS

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

Director	Ordinary Shares	Options over ordinary shares
Andrew Childs	4,405,336	6,000,000
Gary Jeffery	1,483,914	5,000,000
Keith Martens	2,364,796	10,500,000

11. SHARE OPTIONS

Options granted to directors of the Company

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

	Number of options granted	Exercise price per option	Expiry date
Executive director			
Gary Jeffery	5,000,000	25 cents	31-Dec-2015
Non-executive directors			
Andrew Childs	2,000,000	25 cents	31-Dec-2015
Keith Martens	3,000,000	25 cents	31-Dec-2015
	500,000	25 cents	31-Dec-2016

The options tabled above were provided at no cost to the recipients.

Unissued shares under options

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

Expiry date	Exercise price	Number of shares
31-Dec-2014	25 cents	16,500,000
31-Dec-2015	25 cents	11,500,000
31-Dec-2016	25 cents	500,000
		28,500,000

All unissued shares are ordinary shares of the Company.

All options expire on the earlier of their expiry date or termination of the individual's employment in accordance with the Group's employee share option plan rules.

11. SHARE OPTIONS (continued)

Unissued shares under options (continued)

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

Further details about share-based payments to directors are included in the Remuneration Report.

Shares issued on exercise of options

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

12. INDEMNIFICATION AND INSURANCE OF OFFICERS

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

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

13. NON-AUDIT SERVICES

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

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

14. INDEMNIFICATION OF AUDITORS

To the extent permitted by law, the Company has agreed to indemnify its auditors, Ernst & Young, as part of the terms of its audit engagement agreement against claims by third parties arising from the audit (for an unspecified amount). No payment has been made to indemnify Ernst & Young during or since the financial year.

15. REMUNERATION REPORT - AUDITED

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

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

The directors of the Company prepared the Remuneration Report in accordance with Section 300A of the Corporations Act 2001 for the Group for the year ended 30 June 2014. The information provided in this Remuneration Report has been audited as required by section 308(3C) of the Corporations Act 2001.

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

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

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

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

Principles of Compensation – audited

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

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

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

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

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

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

15. REMUNERATION REPORT – AUDITED (continued)

Principles of Compensation – audited (continued)

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

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

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

Long-term incentive
Subject to shareholder approval, directors may receive options at various times for their ongoing commitment and contribution to the Group. Options were issued to directors during the year.

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

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

Shareholder returns		2014	2013	2012	2011	2010
Net profit / (loss) attributable to equity holders	($)	321,234	(1,176,066)	(2,172,773)	(836,891)	(562,696)
Basic EPS	(cents)	0.38	(1.50)	(3.10)	(1.20)	(1.10)
Closing share price	(cents)	12.0	4.0	5.0	17.0	8.9

Service contracts
On 6 November 2013, a Deed of Executive Services was entered into with Gary Jeffery whereby Mr Jeffery is paid a total remuneration package of $200,000 per annum for 50% of his time, effective 1 November 2013. This shall comprise $100,000 cash and $100,000 in shares, such shares issued on a calendar quarterly basis. The issue of shares was subject to shareholder approval which was obtained on 29 November 2013. The issue price of the shares will be the mathematical average of the VWAP for the first 5 trading days in the calendar quarter and the VWAP for the last 5 trading days in the calendar quarter.

The contract also granted to Gary Jeffery or nominee as applicable, 5 million unlisted options exercisable at 25 cents each on or before 31 December 2015. The issue of the options was approved by shareholders on 29 November 2013.

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

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

Directors' fees cover all main Board activities and include statutory superannuation (where appropriate).

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

15. REMUNERATION REPORT – AUDITED (continued)

Directors' and senior executives' remuneration - audited

Details of the nature and amount of each element of the compensation of each of the directors and key management personnel of the Company and the Group are shown below:

		Short-term employee benefits			Post-employment benefits	Share-based payments				
		Cash salary and fees	Cash Bonuses	Non-monetary benefits	Super-annnuation	Shares	Options	Total	% of remuneration performance based	Value of options as % of remuneration
		$	$	$	$	$	$	$	%	%
Executive director										
Gary Jeffery [1]	2014	66,667	-	-	-	67,670	164,450	298,787	-	55.0
	2013	-	-	-	-	-	-		-	-
Non-executive directors										
Andrew Childs	2014	40,000	-	-	-	-	65,780	105,780	-	62.2
	2013	40,000	-	-	-	-	54,000	94,000	-	57.4
Keith Martens	2014	20,000	-	-	-	10,150	98,670	128,820	-	76.6
	2013	30,000	-	-	-	-	90,000	120,000	-	75.0
Sub-total non-executive	2014	60,000	-	-		10,150	164,450	234,600	-	-
directors remuneration	2013	70,000	-	-		-	144,000	214,000	-	-
Total current directors'	2014	126,667	-	-	-	77,820	328,900	533,387	-	-
remuneration	2013	70,000	-	-	-	-	144,000	214,000	-	-

15. REMUNERATION REPORT – AUDITED (continued)

Directors' and senior executives' remuneration - audited (continued)

		Short-term employee benefits			Post-employment benefits	Share-based payments				
		Cash salary and fees *	Cash Bonuses	Non-monetary benefits	Super-annuation	Shares	Options	Total	% of remuneration performance based	Value of options as % of remuneration
		$	$	$	$	$		$	%	%
Former directors										
Ian Tchacos (2)	2014	-	-	-	-	-	-	-	-	-
	2013	25,000	-	-	-	-	-	25,000	-	-
Mark Ohlsson (3)	2014	15,000	-	-	-	-	-	15,000	-	-
	2013	-	-	-	-	-	18,000	18,000	-	100.0
Sub-total former	2014	15,000	-	-	-	-	-	15,000	-	-
directors' remuneration	2013	25,000	-	-	-	-	18,000	43,000	-	
Total directors'	2014	141,667	-	-	-	77,820	328,900	548,387	-	-
remuneration	2013	95,000	-	-	-		162,000	257,000	-	-

(1) Appointed 24 October 2013

(2) Appointed 12 April 2010 and resigned 1 May 2013

(3) Appointed Company Secretary 2 May 2005 and resigned as Company Secretary 6 May 2014.
Appointed a director 1 May 2013 and resigned as a director 24 October 2013

* During the year certain key management persons were paid for commercial, arms-length consulting services. The total quantum of these transactions as disclosed in note 27 of notes to the consolidated financial statements was:

- Keith Martens $191,095 (2013: $129,000)
- Andrew Childs $93,450 (2013: $nil)
- Mark Ohlsson $8,000 (2013:$24,000)

15. REMUNERATION REPORT – AUDITED (continued)

Equity instruments – audited

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

Options and rights over equity instruments granted as compensation – audited

Details of options over ordinary shares in the Company that were granted as compensation to directors and key management personnel during the reporting period are as follows:

	Number of options granted during 2014	Grant date	Fair value per option at grant date cents (per option)	% vested in year (A)	% lapsed in year	Date on which grant vests	Exercise Price per option cents	Expiry date	Number of options vested during 2014
Executive directors									
Gary Jeffery	5,000,000	29-Nov-13	3.29	100	-	29-Nov-13	25	31-Dec-15	5,000,000
Non-executive directors									
Andrew Childs	2,000,000	29-Nov-13	3.29	100	-	29-Nov-13	25	31-Dec-15	2,000,000
Keith Martens	3,000,000	29-Nov-13	3.29	100	-	29-Nov-13	25	31-Dec-15	3,000,000

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

15. REMUNERATION REPORT – AUDITED (continued)

Equity instruments - audited (continued)

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

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

	Granted in year $ (A)	Value of options exercised in year $	Lapsed in year $
Executive directors			
Gary Jeffery	164,450	-	-
Non-executive directors			
Andrew Childs	65,780	-	-
Keith Martens	98,670	-	-

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

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

15. REMUNERATION REPORT – AUDITED (continued)

Equity instruments - audited (continued)

Options and rights over equity instruments - audited

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

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

	Held at 1 July 2012	Granted as compensation	Exercised	Held at 30 June 2013	Vested during the year	Vested and exercisable at 30 June 2013
Directors						
Andrew Childs	1,000,000	3,000,000	1,000,000	3,000,000	3,000,000	3,000,000
Gary Jeffery [(1)]	-	-	-	-	-	-
Keith Martens	1,000,000	5,000,000	-	6,000,000	5,000,000	6,000,000

[(1)] Gary Jeffery appointed on 24 October 2013

15. REMUNERATION REPORT – AUDITED (continued)

Equity instruments - audited (continued)

Movements in shares - audited

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

	Held at 1 July 2013	Purchases	* Other changes	Received on exercise of options	Sales	Held at 30 June 2014
Directors						
Andrew Childs	4,198,003	167,000	-	-	-	4,365,003
Gary Jeffery [1]	-	-	920,000	-	-	920,000
Keith Martens	1,140,000	1,097,016	-	-	-	2,237,016

	Held at 1 July 2012	Purchases	* Other changes	Received on exercise of options	Sales	Held at 30 June 2013
Directors						
Andrew Childs	4,090,003	108,000	-	-	-	4,198,003
Gary Jeffery [1]	-	-	-	-	-	-
Keith Martens	1,140,000	-	-	-	-	1,140,000

***** Other changes represent shares held on date of appointment or resignation.

[1] Gary Jeffery was appointed on 24 October 2013

No shares were granted to key management personnel during the reporting period as compensation in 2013 or 2014 other than those disclosed on pages 15 and 16.

Key management personnel and director transactions

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

15. REMUNERATION REPORT – AUDITED (continued)

Key management personnel and director transactions (continued)

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

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

		Note	Transactions value year ended 30 June 2014 $	Transactions value year ended 30 June 2013 $	Balance outstanding as at 30 June 2014 $	Balance outstanding as at 30 June 2013 $
Key management person	***Transaction***					
Andrew Childs	Consulting fees	(i)	93,450	-	-	-
Keith Martens	Consulting fees	(ii)	191,095	129,000	-	-
Mark Ohlsson	Company Secretarial and accounting services	(iii)	8,000	24,000	-	-
Ian Tchacos	Consulting fees	(iv)	-	375	-	-
Total and current liabilities					-	-
Gary Jeffery	Interest on loans	(v)	(1,398)	-	-	-
Andrew Childs	Interest on loans	(vi)	(1,601)	-	-	-
Total and current assets					-	-

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

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

(iii) The Group engaged the company secretarial and accounting services of Ohlsson & Johnson, a company associated with Mark Ohlsson. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;

(iv) During the year ended 30 June 2013, the Group paid $375 to Ian Tchacos representing additional consulting services over and above his duties as non-executive director. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;

(v) A loan for an amount of $50,000 was obtained from Gary Jeffery on 13 August 2013, prior to being appointed as a director. The loan was repaid on 22 November 2013 with a total of $1,398 being paid in interest calculated at 10% p.a. for the period of the loan. The loan was deemed to be on normal commercial terms and conditions.

(vi) A loan for an amount of $94,927 was obtained from Andrew Childs on 6 September 2013. The loan was repaid on 22 November 2013 with a total of $1,601 being paid in interest calculated at 10% p.a. for the period of the loan. The loan was deemed to be on normal commercial terms and conditions.

This is the end of the Remuneration Report – Audited.

16. LEAD AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration forms part of the directors' report for the financial year ended 30 June 2014.

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

GARY JEFFERY

Director

Dated at Perth, Western Australia this 30th day of September 2014.

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

In relation to our audit of the financial report of Australian Oil Company Limited for the financial year ended 30 June 2014, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

Ernst & Young

Ernst & Young

R J Curtin
Partner
30 September 2014

CORPORATE GOVERNANCE STATEMENT

The Board of Directors of Australian Oil Company Limited (the Board) is responsible for the corporate governance of the Group. The Board guides and monitors the business and affairs of the Group on behalf of the shareholders by whom they are elected and to whom they are accountable. This statement outlines the main corporate governance practices in place throughout the financial year, which comply with the Australian Securities Exchange (ASX) Corporate Governance Council June 2010 amendments to the *August 2007 "Corporate Governance Principles and Recommendations (Second Edition)" ("the Recommendations"),* unless otherwise stated.

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

1. BOARD OF DIRECTORS

(a) Role of the Board and responsibilities

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

The Board evaluates these policies on an ongoing basis.

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

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

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

1. BOARD OF DIRECTORS (continued)

(b) Board composition and expertise

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

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

The Board reviews its composition as required to ensure that the Board has the appropriate mix of commercial and financial skills, technical expertise, industry experience, and diversity (including, but not limited to gender and age) for which the Board is looking to achieve in its membership. The Board is primarily responsible for identifying potential new directors but has the option to use an external consulting firm to identify and approach possible new candidates for directorship. When a vacancy exists, or where it is considered that the Board would benefit from the services of a new director with particular skills, candidates with the appropriate experience, expertise and diversity are considered. Each incumbent director is given the opportunity to meet with each candidate on a one to one basis. The full Board then appoints the most suitable candidate who must stand for election at the next annual general meeting of shareholders.

(c) Retirement and re-election of directors

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

(d) Independence of directors

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

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

(e) Director education

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

(f) Independent professional advice

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

1. BOARD OF DIRECTORS (continued)

(g) Board Performance Review

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

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

(h) Conflict of Interest

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

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

(i) Directors' remuneration

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

2. BOARD COMMITTEES

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

3. MANAGING BUSINESS RISK

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

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

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

3. MANAGING BUSINESS RISK (continued)

(a) Internal controls

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

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

(b) CEO and CFO assurance on corporate reporting

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

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

(c) Environmental regulation

The Company has a policy of at least complying, but in most cases exceeding, its environmental performance obligations. No environmental breaches have been notified by any Government agency during the year ended 30 June 2014.

4. ETHICAL STANDARDS

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

(a) Code of Conduct

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

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

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

(b) Trading in Company securities by directors and employees

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

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

5. DIVERSITY POLICY

The Company has established a Diversity Policy which provides the written framework and objectives for achieving a work environment that values and utilises the contributions of employees' backgrounds, experiences, and perspectives, irrespective of gender, age, ethnicity and cultural background. The Board is responsible for developing, where possible, measurable objectives and strategies to support the framework and objectives of the Diversity Policy. The Board is responsible for monitoring the progress of the measurable objectives through various monitoring, evaluation and reporting mechanisms. Currently, there are no vacant Board positions.

The key elements of the diversity policy are as follows:

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

Due to size of the Company and there being no current need to increase staff levels, there has been limited opportunity to implement the diversity policy in its entirety. As a result, the Company has not yet met its objectives. However, the Company outsources its corporate and accounting services to Broadway Management (WA) Pty Ltd where 80% of its employees are represented by female members. Should a Board position become vacant, the Company will endeavour to fill any new board appointment or key management personnel position with a suitably qualified female applicant.

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

	30 June 2014		30 June 2013	
Gender representation	**Women**	**Men**	**Women**	**Men**
Group representation	0%	100%	0%	100%
Senior management representation	0%	100%	0%	100%
Board representation	0%	100%	0%	100%
Corporate services provider representation	75%	25%	78%	22%

6. COMMUNICATION WITH SHAREHOLDERS

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

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

6. COMMUNICATION WITH SHAREHOLDERS (continued)

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

(a) Continuous Disclosure

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

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

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

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

ASX PRINCIPLES COMPLIANCE STATEMENT

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

Recommendation 2.1

A majority of the Board should be independent directors

Recommendation 4.2

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

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

Recommendation 8.2

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

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

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

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

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
Assets			
Cash and cash equivalents	16	1,199,527	34,427
Other receivables	15	107,544	6,463
Prepayments		409	-
Available for sale financial assets	17	173	875
Total current assets		1,307,653	41,765
Exploration and evaluation expenditure	13	1,460,241	872,691
Investment in associate	19	-	33,000
Other receivables	15	3,185	-
Total non-current assets		1,463,426	905,691
Total assets		2,771,079	947,456
Liabilities			
Trade and other payables	20	46,750	165,569
Liability to carry joint venture partner	19	78,546	78,546
Total current liabilities		125,296	244,115
Provision for restoration	21	204,374	140,000
Total non-current liabilities		204,374	140,000
Total liabilities		329,670	384,115
Net assets		2,441,409	563,341
Equity			
Issued capital	22(a)	10,586,555	9,434,888
Reserves		791,710	518,791
Accumulated losses		(8,936,856)	(9,390,338)
Total equity attributable to equity holders of the Company		2,441,409	563,341

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
Production revenue		408,971	162,732
Gain on sale of exploration asset	6	1,750,000	-
Production expense		(245,185)	(97,881)
Administrative expenses	7	(674,000)	(333,397)
Other expenses	8	(299,828)	(251,015)
Impairment of investment in associate		(164,058)	(42,584)
Exploration expenditure written off		(443,263)	(332,151)
Oil and gas assets written off		-	(286,809)
(Loss) / profit on sale of financial assets		(300)	1,782
Results from operating activities		332,337	(1,179,323)
Finance income	9	2,479	3,257
Finance expense	9	(6,069)	-
Net finance (expense) / income		(3,590)	3,257
Profit / (loss) before income tax		328,747	(1,176,066)
Income tax (expense) / benefit		(7,513)	-
Profit / (loss) from continuing operations		321,234	(1,176,066)
Profit / (loss) for the year		321,234	(1,176,066)
Other comprehensive income			
Items that will not be reclassified subsequently to profit or loss		-	-
Total items that will not be reclassified subsequently to profit or loss		-	-
Items that may be reclassified subsequently to profit or loss			
Changes in fair value on equity instruments measured at fair value through other comprehensive income		(402)	(3,365)
Foreign currency translation difference of foreign operations		(50,486)	124,197
Total items that may be reclassified subsequently to profit or loss		(50,888)	120,832

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2014 (Continued)

	30 June 2014 $	30 June 2013 $
Other comprehensive (expense) / income for the year, net of income tax	(50,888)	120,832
Total comprehensive income / (loss) for the year	270,346	(1,055,234)
Profit / (Loss) for the year is attributable to:		
Owners of the parent	321,234	(1,176,066)
Non-controlling interests	-	(4,064)
	321,234	(1,180,130)
Total comprehensive income / (loss) for the year is attributable to:		
Owners of the parent	270,346	(1,074,183)
Non-controlling interests	-	18,949
	270,346	(1,055,234)
Earnings / (loss) per share		
Basic and diluted (cents per share)	0.38	(1.5)

The notes are an integral part of these financial statements.

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

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

The notes are an integral part of these financial statements.

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

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

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the Company						
	Share Capital $	Investment revaluation reserve $	Translation Reserve $	Options reserve $	Non-controlling interest $	Retained losses $	Total $
Balance at 1 July 2012	8,511,970	3,875	(47,164)	252,248	(18,949)	(8,214,272)	487,708
Total comprehensive loss for the year							
Loss for the year	-	-	-	-	(4,064)	(1,176,066)	(1,180,130)
Other comprehensive loss for the year							
Recycling of foreign exchange translation reserve to profit or loss	-	-	124,197	-	-	-	124,197
Change in fair value of equity instruments measured at fair value through other comprehensive income	-	(3,365)	-	-	-	-	(3,365)
Total other comprehensive loss	-	(3,365)	124,197	-	-	-	120,832
Total comprehensive loss for the year	-	(3,365)	124,197	-	(4,064)	(1,176,066)	(1,059,298)

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Attributable to equity holders of the Company						
	Share Capital $	Investment revaluation reserve $	Translation Reserve $	Options reserve $	Non-controlling interest $	Retained losses $	Total $
Transactions with owners, recorded directly in equity:							
Contributions by and distributions to owners							
Share-based payment transactions	-	-	-	189,000	-	-	189,000
Non-controlling interests in subsidiary	-	-	-	-	23,013	-	23,013
Share issue	972,433	-	-	-	-	-	972,433
Capital raising	(49,515)	-	-	-	-	-	(49,515)
Total contributions by and distributions to owners	922,918	-	-	189,000	23,013	-	1,134,931
Total changes in ownership interests in subsidiaries	-	-	-	-	-	-	-
Total transactions with owners	922,918	-	-	189,000	23,013	-	1,134,931
Balance at 30 June 2013	9,434,888	510	77,033	441,248	-	(9,390,338)	563,341

The notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	30 June 2014 $	30 June 2013 $
Cash flows from operating activities			
Production revenue		327,723	162,732
Payments to suppliers and employees		(770,542)	(660,943)
Interest received		2,479	3,257
Income taxes paid		(7,513)	-
Net cash used in operating activities	16(b)	(447,853)	(494,954)
Cash flows from investing activities			
Investment in associates		(115,399)	(31,186)
Payments for exploration expenditure		(1,131,095)	(433,075)
Acquisition of oil and gas assets		-	(146,809)
Proceeds from sale of exploration assets		1,750,000	-
Proceeds from disposal of fixed assets		-	1,217
Proceeds from sale of shares		-	1,862
Net cash from / (used in) investing activities		503,506	(607,991)
Cash flows from financing activities			
Proceeds from issue of shares and options		1,193,033	743,999
Payment of capital raising costs		(65,616)	(49,514)
Proceeds from borrowings		219,927	-
Repayment of borrowings		(219,927)	-
Payment of transaction costs related to borrowings		(6,069)	-
Net cash from financing activities		1,121,348	694,485
Net increase / (decrease) in cash held		1,177,001	(408,460)
Cash and cash equivalents at 1 July		34,427	442,887
Effect of exchange rate fluctuations on cash held		(11,901)	-
Cash and cash equivalents at 30 June	16(a)	1,199,527	34,427

The notes are an integral part of these financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2014

1. REPORTING ENTITY

Australian Oil Company Limited (the "Company") is a listed public company, incorporated on 2 May 2005 and domiciled in Australia. The address of the Company's registered office is Level 2, 55 Carrington Street, Nedlands, Western Australia, 6009. The consolidated financial statements of the Company as at and for the year ended 30 June 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group Entities").

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

2. BASIS OF ACCOUNTING

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

The consolidated financial statements were authorised for issue by the Board of the Directors on 30 September 2014.

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

3. FUNCTIONAL AND PRESENTATION CURRENCY

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

4. USE OF ESTIMATES AND JUDGEMENTS

In preparing these consolidated financial statements, management has made judgements, estimates and assumptions that affect the application of the Group's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

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

(a) Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 30 June 2014 is included in the following notes:

(i) Note 13 - Exploration, evaluation and development expenditure

(ii) Note 12(c) - Recognition of tax losses

5. OPERATING SEGMENTS

Information about reportable segments

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

The Group currently operates in one operating segment being 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.

The Group currently has one reporting segment being the tenements and projects in the Sacramento Basin.

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

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

	2014 $	2013 $
Profit / (loss) before income tax		
Total profit / (loss) for reportable segments	1,264,698	(595,888)
Central administration and directors' remuneration	(932,361)	(583,435)
Finance expense	(6,069)	-
Finance income	2,479	3,257
Consolidated profit / (loss) before income tax	328,747	(1,176,066)
Assets		
Total assets for reportable segments	1,539,410	905,691
Cash and cash equivalents	1,199,527	34,427
Other assets	32,142	7,338
Consolidated total assets	2,771,079	947,456
Liabilities		
Total liabilities for reportable segments	(282,920)	(218,546)
Other liabilities	(46,750)	(165,569)
Consolidated total liabilities	(329,670)	(384,115)

5. OPERATING SEGMENTS (continued)

Geographic information

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

	2014 $	2013 $
Production revenue		
USA	408,971	162,732
Australia	-	-
	408,971	162,732
Non-current assets		
USA	1,460,241	905,691
Australia	3,185	-
	1,463,426	905,691

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

6. SALE OF EXPLORATION INTERESTS

	2014 $	2013 $
Gain on sale of Australian interests	1,750,000	-

On 21 November 2013, the Company announced that all outstanding issues with respect to the farm-out of a 7.5% interest in PEL 182 to Dome Petroleum Resources plc (Dome) had been resolved.

The outcome was achieved by selling the 7.5% interest in PEL 182 to the remaining participants for $3,750,000. As part of the settlement with Dome, Dome received $2,000,000 of the $3,750,000 with AOC receiving the balance of $1,750,000.

7. ADMINISTRATIVE EXPENSES

	Note	2014 $	2013 $
Directors and executives remuneration	27(a)	548,387	257,000
Advertising and publicity		7,973	-
Communication and information services		6,607	1,117
Travelling expenses		54,553	2,476
Office administration		3,626	34,808
Bank charges		1,019	489
Share registry and statutory fees		51,835	37,507
		674,000	333,397

8. OTHER EXPENSES

Professional fees		220,441	224,098
Depreciation and amortisation		-	1,431
Loss on disposal of fixed assets		-	2,284
Net foreign exchange rate fluctuations on cash held		22,109	-
Net foreign exchange rate fluctuations on trade creditors		76	-
Site restoration expenses	21	57,202	-
Write-off receivable due from Timor Oil Ltd		-	23,202
		299,828	251,015

9. FINANCE INCOME AND EXPENSE

	2014 $	2013 $
Interest income on bank deposits	2,479	3,257
Other borrowing costs	(6,069)	-
Net finance (expense) / income recognised in consolidated profit or loss	(3,590)	3,257

During the year, loans totalling $219,927 were obtained from shareholders and other related parties. These loans were repaid between November 2013 and February 2014 with a total of $6,069 being paid in interest calculated at 10%. The loans were deemed to be on normal commercial terms and conditions.

10. EARNINGS / (LOSS) PER SHARE

(a) Basic earnings / (loss) per share

The calculation of basic earnings / (loss) per share at 30 June 2014 was based on the profit attributable to ordinary shareholders of $321,234 (2013 loss: $1,176,066) and a weighted average number of ordinary shares outstanding of 83,930,402 (2013: 79,285,512) calculated as follows:

Loss attributable to ordinary shareholders (basic)

	2014 $	2013 $
Profit / (loss) for the period	321,234	(1,176,066)

Weighted average number of ordinary shares (basic)

	2014 Number	2013 Number
Issued ordinary shares at 1 July	79,285,512	69,016,846
Effect of shares issued during the period	4,644,890	10,268,666
	83,930,402	79,285,512

(b) Diluted loss per share

Year ended 30 June 2013
In accordance with AASB 133 'Earnings per Share' share options issued (16,500,000 options) as share based payments have been excluded from the calculation of diluted loss per share due to their anti-dilutive effect.

Year ended 30 June 2014
In accordance with AASB 133 'Earnings per Share', unexercised Share options (28,000,000 options) have been excluded from the calculation of diluted earnings per share as the exercise price of share options exceeded the weighted average share price of the Company's share price during the financial year.

11. SHARE-BASED PAYMENT PLANS

(a) Description of the share-based payment arrangements

At 30 June 2014 the Group has the following share-based payment arrangements:

		$
(i)	Shares issued in lieu of deferred director fees	24,250
(ii)	Shares to be issued in lieu of deferred director fees	77,820
(iii)	Options issued to directors, employees and consultants	378,235

(i) Shares issued in lieu of deferred director fees

At the AGM held on 29 November 2013, shareholders approved the issue of shares to Directors in satisfaction of 50% of director fees.

	Tranche	Value of services rendered (A) $	Fair value of shares at 30 June 2013 4.0 cents each (B) $	Market value of shares on issue date 9.7 cents each (C) $	No. of Plan Shares issued	Date of Issue
Former director						
Ian Tchacos	1	10,000	10,000	24,250	250,000	29 Nov-13

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

(B) Reflects the estimated fair value of shares to be issued to directors that remained subject to shareholder approval at 30 June 2013

(C) Reflects the market value of shares at the date of issue

The movement between (B) and (C) for tranche 1 has been recorded in the current period as a true-up based on fair value of shares at issue date. This movement has been expensed to consultancy fees as Mr Tchacos resigned as a director in the previous financial year.

11. 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

On 25 July 2014 shareholders approved the issue of shares in satisfaction of 50% of deferred director fees.

	50% accrued at 30 June 2014 $	No. of Plan Shares issued approved by shareholders	Fair value of shares at 30 June 2014 $
Executive directors			
Gary Jeffery	66,667	563,914	67,670
Non-executive directors			
Keith Martens	10,000	84,587	10,150
	76,667	648,501	77,820

(iii) Options issued to directors, employees and consultants

At the AGM on 29 November 2013, shareholders approved the issue of 10,000,000 options to the directors with a calculated value of 3.29 cents each. The fair value of each tranche of options is recognised as director and senior executives' remuneration as all options vested on their grant date.

On 29 November 2013 shareholders approved the issue of 1 million options to a former director with a calculated value of 3.29 cents each. The fair value of the options is recognised in administration fees as all options vested on the grant date.

On 29 November 2013 the board approved the issue of 500,000 options to an administrator pursuant to the Company's Employee Option Scheme, with a calculated value of 3.29 cents each.

Equity-settled share option programme

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

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

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

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

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

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

11. SHARE-BASED PAYMENT PLANS (continued)

(b) Terms and conditions of share-option programme

The terms and conditions relating to the grant of existing share options are as follows:

Tranche	Grant date	Number of instruments	Vesting Conditions	Expiry date	Contractual life of options
1	14-Nov-11	6,000,000	Vested upon granting	31-Dec-14	3.130 years
2	11-Dec-12	10,500,000	Vested upon granting	31-Dec-14	2.052 years
3	29 Nov-13	11,500,000	Vested upon granting	31-Dec-15	2.092 years
		28,000,000			

(c) Inputs for measurement of grant date fair values

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

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

Fair value of share options and assumptions	Tranche 1	Tranche 2	Tranche 3
Fair value at grant date	2.00 cents	1.80 cents	3.29 cents
Share price	6 cents	5 cents	10 cents
Exercise price	25 cents	25 cents	25 cents
Expected volatility	98%	113%	100%
Option life	3.13 years	2.05 years	2.09 years
Vesting period	-	-	-
Risk free rate	5.50%	2.78%	2.71%

(d) Disclosure of share option programme

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

	Weighted average exercise price 2014	Number of options 2014	Weighted average exercise price 2013	Number of Options 2013
Outstanding at 1 July	25 cents	16,500,000	25 cents	10,000,000
Granted during the year	25 cents	11,500,000	25 cents	10,500,000
Expired during the year	-	-	25 cents	(4,000,000)
Outstanding at 30 June	25 cents	28,000,000	25 cents	16,500,000
Exercisable at 30 June	25 cents	28,000,000	25 cents	16,500,000

11. SHARE-BASED PAYMENT PLANS (continued)

(d) Disclosure of share option programme (continued)

The options outstanding at 30 June 2014 have an exercise price of 25 cents (2013: 25 cents) and a weighted average contractual life of 0.91 years (2013: 0.50 years).

11,500,000 options were granted during the year (2013: 10,500,000 options granted).

No options expired during the year (2013: 4,000,000 options expired).

(e) Amount expensed to profit and loss

	2014 $	2013 $
Director and senior executives' remuneration	328,900	162,000
Consultancy fees	-	27,000
Administration fees	49,335	-
	378,235	189,000

12. INCOME TAX EXPENSE

(a) Amounts recognised in profit or loss

	2014 $	2013 $
Current tax benefit		
Current period	-	-
Adjustments recognised for prior periods	7,513	-
	7,513	-
Deferred tax benefit		
Origination and reversal of temporary differences	-	-
Total expense on continuing operations	7,513	-

12. INCOME TAX EXPENSE (continued)

(b) Reconciliation of effective tax rate

	2014 $	2013 $
Profit / (loss) for the year	321,234	(1,176,066)
Total income tax expense	7,513	-
Profit / (loss) excluding income tax	328,747	(1,176,066)
Income tax using the Company's domestic tax rate of 30% (2013: 30%)	98,624	(352,820)
Non-deductible expenses	297,488	56,700
Temporary movement not brought to account	(525,000)	-
Write-down to recoverable amount	-	6,960
Tax losses not brought to account	128,888	289,160
	-	-

All unused tax losses were incurred by Australian entities.

Potential future income tax benefits of $1,424,347 (2013: $1,836,491) attributable to tax losses have not been brought to account because the directors do not believe it is appropriate to regard realisation of the future income tax benefits as probable.

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

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

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

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

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

(c) Unrecognised deferred tax assets and liabilities

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

	Assets		Liabilities		Net	
	2014 $	2013 $	2014 $	2013 $	2014 $	2013 $
Black hole deductible costs – P&L	6,708	-	-	-	6,708	-
Black hole deductible costs – Equity	15,748	-	-	-	15,748	-
Trade and other payables	6,300	10,200	-	-	6,300	10,200
Recognised carry forward tax losses	1,424,347	1,836,491	-	-	1,424,347	1,836,491
Net tax assets / (liabilities)	1,453,103	1,846,691	-	-	1,453,103	1,846,691

13. EXPLORATION, EVALUATION AND DEVELOPMENT EXPENDITURE

	2014 $	2013 $
Exploration and evaluation phases	1,460,241	872,691
Movements in carrying amounts		
Consolidated entity:		
Opening balance	872,691	439,616
Additions	1,072,580	719,137
Written off	(443,263)	(286,062)
Effects of foreign exchange	(41,767)	-
Closing balance	1,460,241	872,691

14. OIL AND GAS PRODUCTION

	2014 $	2013 $
Opening balance	-	-
Acquisition	-	146,809
Restoration asset	-	140,000
Amortisation	-	(286,809)
Closing balance	-	-

15. OTHER RECEIVABLES

Security deposit	3,185	-
Net production revenue receivable	79,169	-
GST and PAYG receivable	28,375	6,463
	110,729	6,463
Current	107,544	6,463
Non-current	3,185	-
	110,729	6,463

16. CASH AND CASH EQUIVALENTS

(a) Reconciliation of cash and cash equivalents

The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 24.

	2014 $	2013 $
Cash in hand and at bank	1,199,527	34,427

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

(b) Reconciliation of cash flows from operating activities

	Note	2014 $	2013 $
Cash flows from operating activities			
Profit / (loss) for the period		321,234	(1,180,130)
Adjustments for:			
Receivables written off		-	23,202
Foreign exchange rate fluctuations on cash held		22,109	-
Foreign exchange rate fluctuations on trade creditors		-	124,198
Finance expense on borrowings		6,069	-
Equity-settled share based payments	11(a)(ii)(iii)	456,055	189,000
Profit / loss on sale of P, P & E		-	2,265
Impairment of investment in associate		164,058	42,583
Gain / loss on sale of exploration assets		(1,750,000)	-
Impairment of available for sale asset		300	1,865
Net profit on listed shares		-	(1,782)
Provision for site rehabilitation		57,202	-
Exploration expenditure written off		443,263	-
Amortisation		-	288,240
		(279,710)	(510,559)
Change in other receivables		(110,696)	13,154
Change in trade and other payables		(57,038)	2,451
Change in prepayments		(409)	-
Cash used in operating activities		(447,853)	(494,954)
Interest paid		-	-
Income taxes paid		-	-
Net cash used in operating activities		(447,853)	(494,954)

17. FINANCIAL ASSETS

	Note	2014 $	2013 $
Current available-for-sale financial assets			
Listed investments, at fair market value		173	875
Opening balance		875	4,320
Disposals		(300)	(1,580)
Adjustment to fair value		(402)	(1,865)
		173	875

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

18. SUBSIDIARIES

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

Name of subsidiary	Principal activity	Place of incorporation and operation	Financial year end	Proportion of ownership interest and voting power held by the Group	
				2014 %	2013 %
AOC No.2 Pty Ltd	Corporate	Australia	30 June	100	100
AOC No.3 Pty Ltd	Corporate	Australia	30 June	100	100
AOC Investments Pty Ltd	Corporate	Australia	30 June	100	100
Los Alamos LLC	Oil & gas exploration	USA	31 December	100	100
Sacgasco LLC	Oil & gas exploration	USA	31 December	100	100

19. ASSOCIATES

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

Name of associate	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group	
			2014 %	2013 %
Alamo Creek Oil LLC	Oil & gas exploration	California, USA	50	50
Excelaron LLC	Oil & gas exploration	California, USA	35	35

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

	2014 $	2013 $
Investments in associates	-	33,000
Reconciliation of movement in investments accounted for using the equity method		
Balance at 1 July	33,000	33,000
Additional investment	113,822	42,584
Impairment of investment	(164,058)	-
Share of loss for the period	-	(42,584)
Exchange difference	17,236	-
Balance at 30 June	-	33,000

(i) The financial year end date of Alamo Creek Oil LLC is 31 December. This was the reporting date established when that company was incorporated. For the purpose of applying the equity method of accounting, the financial statements of Alamo Creek Oil LLC for the year ended 31 December 2013 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 30 June 2014.

(ii) The financial year end date of Excelaron LLC is 31 December. This was the reporting date established when that company was incorporated. For the purpose of applying the equity method of accounting, the financial statements of Excelaron LLC for the year ended 31 December 2013 have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 30 June 2014.

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

- the associates being in a net liabilities positions at 30 June 2014;
- estimate of future cash flows expected to be derived from the associate;
- expectation and possible variation in amount or timing of those cash flows

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

19. ASSOCIATES (continued)

Alamo Creek Oil LLC

	2014 $	2013 $
Financial position		
Current assets	1,940	20,538
Current liabilities	(119,928)	(29,998)
Financial performance		
Income	-	-
Expenses	(50,045)	(22,796)
Loss for the year	**(50,045)**	**(22,796)**
Total comprehensive loss for the year	-	-

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

	2014 $	2013 $
Net liabilities of the associate	(117,988)	(9,460)
Proportion of the Group's ownership interest in Alamo Creek Oil LLC	50%	50%
Carrying amount of the Group's interest in Alamo Creek Oil LLC	(58,994)	(4,730)

The investment in Alamo Creek Oil LLC is carried at nil since Alamo Creek Oil LLC is in a negative liability position and this is consistent with the treatment at 30 June 2013. The Group's share of the net loss in Alamo Creek LLC of $25,023 has not been recognised in the consolidated statement of comprehensive income.

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

19. ASSOCIATES (continued)

Excelaron LLC

	2014 $	2013 $
Financial position		
Current assets	16,091	29,546
Non-current assets	1,868,693	1,868,693
Current liabilities	(87,882)	(109,487)
Financial performance		
Income	-	-
Expenses	(14,474)	(55,529)
Loss for the year	**(14,474)**	**(55,529)**
Total comprehensive loss for the year	-	-

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

	2014 $	2013 $
Net liabilities of the associate	1,796,902	1,788,751
Proportion of the Group's ownership interest in Excelaron LLC	35%	35%
Carrying amount of the Group's interest in Excelaron LLC	628,916	626,063

The investment in Excelaron LLC is carried at nil, being consistent with 30 June 2013.

The Group's share of the net loss in Excelaron LLC of $5,066 has not been recognised in the consolidated statement of comprehensive income.

20. TRADE AND OTHER PAYABLES

Current		
Trade payables	13,636	73,236
Non-trade payables and accrued expenses	33,114	92,333
	46,750	165,569

The Group's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

21. SITE RESTORATION PROVISION

	Note	2014 $	2013 $
Site restoration provision		204,374	140,000
Movements in carrying amounts			
Balance at 1 July		140,000	-
Provision	*	57,202	140,000
Effects of foreign exchange		7,172	-
Balance at 30 June		204,374	140,000

The increase in provision during the current financial year relates to the Group acquiring an additional 15% interest in the producing wells.

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

22. CAPITAL AND RESERVES

(a) Share capital

		Ordinary shares			
		Number		Amount	
		2014 shares	2013 shares	2014 $	2013 $
On issue at 1 July		**79,285,512**	**69,016,846**	**9,434,888**	**8,511,970**
03-Jul-12	Placement of 5,168,666 shares at 5 cents each	-	5,168,666	-	258,433
27-Aug-12	Placement of 5,100,000 shares at 14 cents each	-	5,100,000	-	714,000
16-Dec-13	Issue of 250,000 shares at 9.7 cents each in lieu of deferred	250,000	-	24,250	-
13-Feb-14	Placement of 11,930,326 shares at 10 cents each	11,930,326	-	1,193,033	-
	Capital raising costs	-	-	(65,616)	(49,515)
On issue at 30 June		**91,465,838**	**79,285,512**	**10,586,555**	**9,434,888**

22. CAPITAL AND RESERVES (continued)

(b) Ordinary shares

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

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

All issued shares are fully paid.

The Company has also issued share options (see note 11).

(c) Nature and purpose of reserves

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

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.

23. CAPITAL MANAGEMENT

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

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

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

24. FINANCIAL INSTRUMENTS – FAIR VALUES AND RISK MANAGEMENT

(a) Carrying amounts and fair values

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

	Carrying Amounts					Fair Values			
	Non-current assets	Current assets							
	Other receivables	Investments	Other receivables	Cash and cash equivalents	Total	Level 1	Level 2	Level 3	Total
30 June 2014									
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	-	1,199,527	1,199,527	-	-	-	-
Available for sale financial assets	-	173	-	-	173	173	-	-	173
Other receivables	3,185	-	107,544	-	110,729	-	-	-	-
	3,185	173	107,544	1,199,527	1,310,429	173	-	-	173
30 June 2013									
Financial assets not measured at fair value									
Cash and cash equivalents	-	-	-	34,427	34,427	-	-	-	-
Available for sale financial assets	-	875	-	-	875	875	-	-	875
Other receivables	-	-	6,463	-	6,463	-	-	-	-
	-	875	6,463	34,427	41,765	875	-	-	875

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

(a) Carrying amounts and fair values (continued)

	Carrying Amount			Fair Values			
	Non-current liabilities	Current liabilities					
	Trade and other payables	Trade and other payables	Total	Level 1	Level 2	Level 3	Total
30 June 2014							
Financial liabilities not measured at fair value							
Trade and other payables	-	46,750	46,750	-	-	-	-
30 June 2013							
Financial liabilities not measured at fair value							
Trade and other payables	-	165,569	165,569	-	-	-	-

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

(b) Financial risk management

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

- credit risk
- liquidity risk
- market risk

(i) Risk Management framework

The Company's Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board is responsible for developing and monitoring the Group's risk management policies.

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

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

(ii) Credit risk

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

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

Cash and cash equivalents
The Group held cash and cash equivalents of $1,199,527 at 30 June 2014 (2013: $34,427). The cash and cash equivalents are held with authorised banking institutions and only with counterparties that have an acceptable credit rating.

Other receivables
As the Group operates primarily in exploration activities, it does not have trade receivables and therefore is not exposed to credit risk in relation to trade receivables. None of the receivables are past due.

At 30 June 2014, the maximum exposure to credit risk for other receivables by geographic region was as follows:

	Carrying amount	
	2014	2013
	$	$
Australia	28,375	6,463
USA	82,354	-
	110,729	6,463

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

(b) Financial risk management (continued)

(ii) Credit risk (continued)

At 30 June 2014, the maximum exposure to credit risk for other receivables by type of counterparty was as follows:

	Carrying amount	
	2014	2013
	$	$
Authorised banking institutions and government agencies	28,375	6,463
Net production revenue	79,169	-
Security bonds	3,185	-
	110,729	6,463

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

(iii) Liquidity risk

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

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

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

	Carrying amount	Contractual cash flows	6 months or less
	$	$	$
30 June 2014			
Non-derivative financial liabilities			
Trade and other payables	46,750	46,750	46,750
Liability to carry joint venture partner	78,546	78,546	78,546
	125,296	125,296	125,296
30 June 2013			
Non-derivative financial liabilities			
Trade and other payables	165,569	165,569	165,569
Liability to carry joint venture partner	78,546	78,546	78,546
	244,115	244,115	244,115

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

(b) Financial risk management (continued)

(iv) Market risk

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

Foreign currency risk management

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

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

Carrying amount	**Assets**		**Liabilities**	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
US dollar	563,289	34,133	-	-

Foreign currency sensitivity analysis

The Group is mainly exposed to US dollars (USD). The following table details the Group's sensitivity to a 5% (2013: 5%) increase and decrease in the Australian dollar against the relevant foreign currencies and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the yearend for a 5% (2013: 5%) change in foreign currency rates. A positive number indicates an increase in profit or loss where the Australian dollar strengthens against the respective currency.

	Impact on profit & loss	
	2014 $	**2013 $**
If AUD strengthens by 5% (2013: 5%)		
USD	(26,823)	(1,626)
If AUD weakens by 5% (2013: 5%)		
USD	29,647	1,796

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

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

(b) Financial risk management (continued)

(iv) Market risk

Interest rate risk

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

Exposure to interest rate risk

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

	Carrying amount	
	2014	2013
	$	$
Variable rate instruments		
Financial assets	1,199,527	34,427

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit and loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2013.

	Profit or loss	
	100 bp increase	100 bp decrease
	$	$
30 June 2014		
Variable rate instruments	11,484	(3,001)
Cash flow sensitivity	11,484	(3,001)
30 June 2013		
Variable rate instruments	3,443	(3,443)
Cash flow sensitivity	3,443	(3,443)

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

25. COMMITMENTS

	2014 $	2013 $
Office rent		
Less than one year	18,900	-

26. CONTINGENCIES

The Group has no contingent assets or liabilities.

27. RELATED PARTIES

(a) Key management personnel compensation

Key management personnel compensation comprises the following:

	Note	2014 $	2013 $
Short term employee benefits		141,667	95,000
Share-based payments - options	11(e)	328,900	162,000
Share-based payments – shares to be issued	11(a)	77,820	-
		548,387	257,000

Compensation of the Group's key management personnel includes fees and non-cash benefits (see note 7).

(b) Key management personnel and director transactions

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

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

27. RELATED PARTIES (continued)

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

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

		Note	Transactions value year ended 30 June 2014 $	Transactions value year ended 30 June 2013 $	Balance outstanding as at 30 June 2014 $	Balance outstanding as at 30 June 2013 $
Key management person	***Transaction***					
Andrew Childs	Consulting fees	(i)	93,450	-	-	-
Keith Martens	Consulting fees	(ii)	191,095	129,000	-	-
Mark Ohlsson	Company Secretarial and accounting services	(iii)	8,000	24,000	-	-
Ian Tchacos	Consulting fees	(iv)	-	375	-	-
Total and current liabilities					-	-
Gary Jeffery	Interest on loans	(v)	(1,398)	-	-	-
Andrew Childs	Interest on loans	(vi)	(1,601)	-	-	-
Total and current assets					-	-

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

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

(ix) The Group engaged the company secretarial and accounting services of Ohlsson & Johnson, a company associated with Mark Ohlsson. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;

(x) During the year ended 30 June 2013, the Group paid $375 to Ian Tchacos representing additional consulting services over and above his duties as non-executive director. Amounts were billed based on normal market rates for such services and were due and payable under normal payment terms;

(xi) A loan for an amount of $50,000 was obtained from Gary Jeffery on 13 August 2013, prior to being appointed as a director. The loan was repaid on 22 November 2013 with a total of $1,398 being paid in interest calculated at 10% p.a. for the period of the loan. The loan was deemed to be on normal commercial terms and conditions.

(xii) A loan for an amount of $94,927 was obtained from Andrew Childs on 6 September 2013. The loan was repaid on 22 November 2013 with a total of $1,601 being paid in interest calculated at 10% p.a. for the period of the loan. The loan was deemed to be on normal commercial terms and conditions.

28. AUDITORS' REMUNERATION

	2014 $	2013 $
Ernst & Young		
Audit and other assurance services		
Audit and review of financial reports	37,305	42,949
Total remuneration of Ernst & Young	37,305	42,949
Non Ernst & Young firms		
Other services		
Group structure proposals	275	-
Total remuneration of Ernst & Young	275	-
TOTAL AUDITORS' REMUNERATION	**37,580**	**42,949**

29. PARENT COMPANY DISCLOSURES

As at, and throughout the financial year ended 30 June 2014, the parent entity of the Group was Australian Oil Company Limited.

	2014 $	2013 $
Result of the parent entity		
Profit / (loss) for the year	840,115	(1,635,255)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the year	840,115	(1,635,255)
Financial position of parent entity at year end		
Current assets	1,162,588	6,757
Total assets	2,561,776	786,481
Current liabilities	125,296	239,190
Total liabilities	125,296	239,190
Total equity of the parent entity comprising of:		
Share capital	10,586,555	9,434,888
Reserves	765,163	443,258
Accumulated losses	(8,915,238)	(9,330,855)
Total equity	2,436,480	547,291
Commitments		
Office rent		
Less than one year	18,900	-

30. SUBSEQUENT EVENTS

On 25 July 2014, shareholders approved the following:

- Ratification of the previous issue of 11,930,326 shares at a price of 10 cents each;
- Adoption of new Incentive Share Plan in accordance with ASX Listing Rule 7.2 (Exception 9(B));
- The issue of 648,501 fully paid ordinary shares to directors in satisfaction of director fees pursuant to the Incentive Share Plan. These shares were issued on 31 July 2014 at an issue price of 11.82 cents each.
- The issue of 500,000 Director options for nil cash consideration exercisable at 25 cents on or before 31 December 2016;

Other than as disclosed above, there have been no matters or circumstances that have arisen since the end of the financial year 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.

31. BASIS OF MEASUREMENT

The consolidated financial statements have been prepared on the historical cost basis.

32. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Except for the changes below, the Group has consistently applied the accounting policies set out in note 33 to all periods presented in these consolidated financial statements.

The Group has adopted the following new standards and amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 January 2013.

AASB10 *Consolidated Financial Statements*

AASB 10 introduces a single control model to determine whether an investee should be consolidated. AASB 10 changes the definition of control such that an investor controls an investee when:

a) It has power over an investee;

b) It is exposed, or has rights, to variable returns from its involvement with the investee; and

c) It has the ability to use its power to affect its returns.

All three of these criteria must be met for an investor to have control over an investee.

These changes did not impact the financial statements..

AASB 12 *Disclosure of Interests in Other Entities (2011)*

AASB 12 brings together into a single standard all the disclosure requirements about an entity's interests in subsidiaries, joint arrangements, associates and unconsolidated structured entities. In general, the application of AASB 12 has resulted in more extensive disclosures in the consolidated financial statements.

32. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES (continued)

AASB13 ***Fair Value Measurement (2011)***

AASB 13 provides a single source of guidance on how fair value is measured, and replaces the fair value measurement guidance that is currently dispersed throughout Australian Accounting Standards. Subject to limited exceptions, AASB 13 is applied when fair value measurements or disclosures are required or permitted by other AASBs. The Group has applied AASB 13 for the first time in the current year and requires prospective application from 1 April 2013. In addition, specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard to comparative information provided for periods before the initial application of the Standard. In accordance with these transitional provisions, the Group has not made any new disclosures required by AASB 13 for the 2013 comparative period. Other than the additional disclosures, the application of AASB 13 did not have any material impact on the amounts recognised in the consolidated financial statements.

AASB 119 ***Employee Benefits (2011)***

AASB 119 (2011) changes the definition of short-term and long-term employee benefits to clarify the distinction between the two. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The directors do not anticipate that the amendments to AASB 119 will have a significant effect on the Group's consolidated financial statements. These changes did not significantly impact the financial statements.

AASB 2011-4 ***Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements***

The change amends AASB 124 Related Party Disclosures to remove the individual key management personnel (KMP) disclosures required by Australian specific paragraphs from the consolidated notes to the financial statements and record in the Directors' Remuneration Report within the Directors' Report. These disclosure changes have been included in these financial statements.

AASB 2012-5 Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle

The change amends a number of pronouncements as a result of the 2009-2011 annual improvements cycle. These changes did not impact the financial statements.

33. SIGNIFICANT ACCOUNTING POLICIES

Except for the changes explained in Note 32, the Group has consistently applied the following accounting policies to all periods presented in these consolidated financial statements.

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

(a) Basis of consolidation

(i) ***Subsidiaries***

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 30 June 2014. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

33. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of consolidation

(i) *Subsidiaries*

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

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

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

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

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

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

(ii) Associates

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

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

(iii) Transactions eliminated on consolidation

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

33. SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Production Revenue

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

(c) Finance income and finance costs

The Group's finance income and finance costs include:

- interest income;
- interest expense;

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

(d) Foreign currency translation

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

(i) Foreign currency transactions

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

(ii) Foreign operations

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

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

(e) Employee benefits

(i) Short-term employee benefits

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

(ii) Share-based payment transactions

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

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

33. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Income tax

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

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

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

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

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

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

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

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

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

(g) Exploration and evaluation assets

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

(h) Impairment of non-financial assets

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

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

33. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) Assets held for sale

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

(j) Financial instruments

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

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

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

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

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

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

(ii) Non-derivative financial assets – measurement

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

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

(iii) Non-derivative financial liabilities - measurement

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

(iv) Share capital

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

33. SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Provisions

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

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

34. NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of new accounting standards and interpretations that have recently been issued or amended but are not yet mandatory for annual periods beginning after 1 July 2013, have not been applied in preparing these consolidated financial statements. The Group's assessment of the impact of these new or amended accounting standards and interpretations, most relevant to the Group, are set out below.

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 2012-3	Amendments to Australian Accounting Standards - *Offsetting Financial Assets and Financial Liabilities*	AASB 2012-3 adds application guidance to AASB 132 *Financial Instruments: Presentation* to address inconsistencies identified in applying some of the offsetting criteria of AASB 132, including clarifying the meaning of "currently has a legally enforceable right of set-off" and that some gross settlement systems may be considered equivalent to net settlement.	1 January 2014	1 July 2014
Interpretation 21	*Levies*	This Interpretation confirms that a liability to pay a levy is only recognised when the activity that triggers the payment occurs. Applying the going concern assumption does not create a constructive obligation.	1 January 2014	1 July 2014
AASB 2013-3	*Amendments to AASB 136 – Recoverable Amount Disclosures for Non-Financial Assets*	AASB 2013-3 amends the disclosure requirements in AASB 136 *Impairment of Assets*. The amendments include the requirement to disclose additional information about the fair value measurement when the recoverable amount of impaired assets is based on fair value less costs of disposal.	1 January 2014	1 July 2014

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

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 9	*Financial Instruments*	On 24 July 2014 The IASB issued the final version of IFRS 9 which replaces IAS 39 and includes a logical model for classification and measurement, a single, forward-looking 'expected loss' impairment model and a substantially-reformed approach to hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018. However, the Standard is available for early application. The own credit changes can be early applied in isolation without otherwise changing the accounting for financial instruments. The final version of IFRS 9 introduces a new expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The AASB is yet to issue the final version of AASB 9. A revised version of AASB 9 (AASB 2013-9) was issued in December 2013 which included the new hedge accounting requirements, including changes to hedge effectiveness testing, treatment of hedging costs, risk components that can be hedged and disclosures. AASB 9 includes requirements for a simplified approach for classification and measurement of financial assets compared with the requirements of AASB 139. The main changes are described below. a. Financial assets that are debt instruments will be classified based on (1) the objective of the entity's business model for managing the financial assets; (2) the characteristics of the contractual cash flows.	1 January 2018	1 July 2018

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

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 9	*Financial Instruments*	b. Allows an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument. c. Financial assets can be designated and measured at fair value through profit or loss at initial recognition if doing so eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities, or recognising the gains and losses on them, on different bases. d. Where the fair value option is used for financial liabilities the change in fair value is to be accounted for as follows: ► The change attributable to changes in credit risk are presented in other comprehensive income (OCI) ► The remaining change is presented in profit or loss AASB 9 also removes the volatility in profit or loss that was caused by changes in the credit risk of liabilities elected to be measured at fair value. This change in accounting means that gains caused by the deterioration of an entity's own credit risk on such liabilities are no longer recognised in profit or loss. 1. Consequential amendments were also made to other standards as a result of AASB 9, introduced by AASB 2009-11 and superseded by AASB 2010-7, AASB 2010-10 and AASB 2014-1 – Part E.	1 January 2018	1 July 2018

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

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle	AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle	This standard sets out amendments to International Financial Reporting Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ► AASB 2 - Clarifies the definition of 'vesting conditions' and 'market condition' and introduces the definition of 'performance condition' and 'service condition'. ► AASB 3 - Clarifies the classification requirements for contingent consideration in a business combination by removing all references to IAS 37. ► AASB 108 - Requires entities to disclose factors used to identify the entity's reportable segments when operating segments have been aggregated. An entity is also required to provide a reconciliation of total reportable segments' asset to the entity's total assets. ► AASB 116 & AASB 138 - Clarifies that the determination of accumulated depreciation does not depend on the selection of the valuation technique and that it is calculated as the difference between the gross and net carrying amounts. AASB 124 - Defines a management entity providing KMP services as a related party of the reporting entity. The amendments added an exemption from the detailed disclosure requirements in paragraph 17 of AASB 124 for KMP services provided by a management entity. Payments made to a management entity in respect of KMP services should be separately disclosed.	1 July 2014	1 July 2014

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

Reference	Title	Summary	Application date of standard	Application date for the Group
AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle	AASB 2014-1 Part A – Annual Improvements 2010-2012 Cycle	This standard sets out amendments to International Financial Reporting. Standards (IFRS) and the related bases for conclusions and guidance made during the International Accounting Standards Board's Annual Improvements process. These amendments have not yet been adopted by the AASB. The following items are addressed by this standard: ▸ AASB 13 - Clarifies that the portfolio exception in paragraph 52 of IFRS 13 applies to all contracts within the scope of IAS 39 or IFRS 9, regardless of whether they meet the definitions of financial assets or financial liabilities as defined in IAS 32. ▸ AASB 140 - Clarifies that judgment is needed to determine whether an acquisition of investment property is solely the acquisition of an investment property or whether it is the acquisition of a group of assets or a business combination in the scope of AASB 3 that includes an investment property. That judgment is based on guidance in AASB 3.	1 July 2014	1 July 2014
AASB 1031	*Materiality*	The revised AASB 1031 is an interim standard that cross-references to other Standards and the F*ramework (*issued December 2013) that contain guidance on materiality. AASB 1031 will be withdrawn when references to AASB 1031 in all Standards and Interpretations have been removed.	1 January 2014	1 July 2014
AASB 2013-9	*Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments*	The Standard contains three main parts and makes amendments to a number Standards and Interpretations. Part A of AASB 2013-9 makes consequential amendments arising from the issuance of AASB CF 2013-1. Part B makes amendments to particular Australian Accounting Standards to delete references to AASB 1031 and also makes minor editorial amendments to various other standards. Part C makes amendments to a number of Australian Accounting Standards, including incorporating Chapter 6 *Hedge Accounting* into AASB 9 *Financial Instruments*.	Part A – Already effective Part B - periods beginning on or after 1 January 2014 Part C - reporting periods beginning on or after 1 January 2015	Part A – Already effective Part B – period beginning 1 July 2014 Part c – period beginning 1 July 2015

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

Reference	Title	Summary	Application date of standard	Application date for the Group
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (Amendments to IAS 16 and IAS 38)	IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset. The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset. ► The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	1 July 2016
IFRS 15 (not yet adopted by AASB)	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services	IFRS 15 (not yet adopted by AASB)	Revenue from Contracts with Customers

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

Reference	Title	Summary	Application date of standard	Application date for the Group
IFRS 15 (not yet adopted by AASB)	Revenue from Contracts with Customers	IFRS 15 establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. IFRS 15 supersedes: (a) IAS 11 Construction Contracts (b) IAS 18 Revenue (c) IFRIC 13 Customer Loyalty Programmes (d) IFRIC 15 Agreements for the Construction of Real Estate (e) IFRIC 18 Transfers of Assets from Customers (f) SIC-31 Revenue—Barter Transactions Involving Advertising Services The core principle of IFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with that core principle by applying the following steps: (a) Step 1: Identify the contract(s) with a customer (b) Step 2: Identify the performance obligations in the contract (c) Step 3: Determine the transaction price (d) Step 4: Allocate the transaction price to the performance obligations in the contract (e) Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation Early application of this standard is permitted.	IFRS 15 (not yet adopted by AASB)	Revenue from Contracts with Customers

DIRECTORS' DECLARATION

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

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

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

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

(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.

2 The directors have been given the declarations required by Section 295A of the Corporations Act 2001 from the chief executive officer and chief financial officer for the financial year ended 30 June 2014.

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

Signed in accordance with a resolution of the directors:

Dated at Perth this 30th day of September 2014.

GARY JEFFERY
Director

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Perth WA 6000 Australia
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Independent auditor's report to the members of Australian Oil Company Limited

Report on the financial report

We have audited the accompanying financial report of Australian Oil Company Limited, which comprises the consolidated statement of financial position as at 30 June 2014, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

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

Independence

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

Opinion

In our opinion:

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

   i. giving a true and fair view of the consolidated entity's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

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

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

Report on the remuneration report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2014. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the Remuneration Report of Australian Oil Company Limited for the year ended 30 June 2014, complies with section 300A of the *Corporations Act 2001*.

Ernst & Young

R J Curtin
Partner
Perth
30 September 2014

SECURITIES EXCHANGE INFORMATION

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

1. SHAREHOLDER INFORMATION

(a) Distribution of fully paid ordinary shares at 8 September 2014

Category			Number of Shareholders	Shares held
1	-	1,000	63	4,438
1,001	-	5,000	41	160,725
5,001	-	10,000	73	660,635
10,001	-	100,000	265	12,484,710
100,001	and	over	132	78,803,831
			574	92,114,339

(b) Marketable Parcel

The number of shareholders holding less than a marketable parcel of ordinary shares is 75.

(c) Voting rights

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

Options
There are no voting rights attached to the options.

(d) Substantial shareholders

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

Name	Ordinary shares Number of Shares
HSBC Custody Nominees (Australia) Limited	5,794,000

(e) Unlisted 31 December 2014 Options

There are 16,500,000 options held by 6 holders on issue that are exercisable at 25 cents on or before 31 December 2014.

(f) Unlisted 31 December 2015 Options

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

1. SHAREHOLDER INFORMATION (continued)

(g) Unlisted 31 December 2016 Options

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

(h) Shareholders

The twenty largest shareholders hold 48.7% of the total issued ordinary shares in the Company as at 8 September 2014.

2. TOP TWENTY SHAREHOLDERS AS AT 8 SEPTEMBER 2014

	Name	Ordinary shares	
		Number of Shares	Percentage of issued shares
1	HSBC Custody Nominees (Australia) Limited	5,794,000	6.290
2	NEFCO Nominees (Australia) Limited	3,839,000	4.168
3	Brazell Pty Ltd	3,645,334	3.957
4	Pemberley Group Pty Ltd	3,250,000	3.528
5	Talex Investments Pty Ltd	3,000,000	3.257
6	Queensland M M Pty Ltd	3,000,000	3.257
7	Glennbrown Pty Ltd	2,610,065	2.834
8	Mrs Kerry Martens & Mr Keith N Martens <Onslow Super Fund A/C>	2,230,209	2.421
9	National Nominees Limited	2,133,688	2.316
10	FGL Capital Limited	1,906,666	2.070
11	Mr Denis I Rakich & Mrs Francesca A Rakich <Rakich Retirement Fund A/C>	1,800,000	1.954
12	Warrangi Nominees Pty Ltd	1,700,000	1.846
13	Hemsby Super Pty Ltd	1,500,000	1.628
14	Scott Investment Fund Pty Ltd	1,500,000	1.628
15	Mr Blair E Pedler <The Pedler Investment A/C>	1,265,000	1.373
16	Mr Peter Cockcroft	1,262,501	1.371
17	Netwealth Investments Limited <Wrap Services A/C>	1,225,000	1.330
18	Alan Davis Pty Ltd	1,156,043	1.255
19	Mrs Laura M Whitby & Mr David R Whitby	1,041,000	1.130
20	Magaurite Pty Ltd	1,000,000	1.086
		44,858,506	48.699