



Australian Oil Company Limited

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QUARTERLY ACTIVITIES REPORT QUARTER ENDED 31 December 2011

SUMMARY OF OPERATIONS

LOS ALAMOS OIL PROJECT (56.25%)

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

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

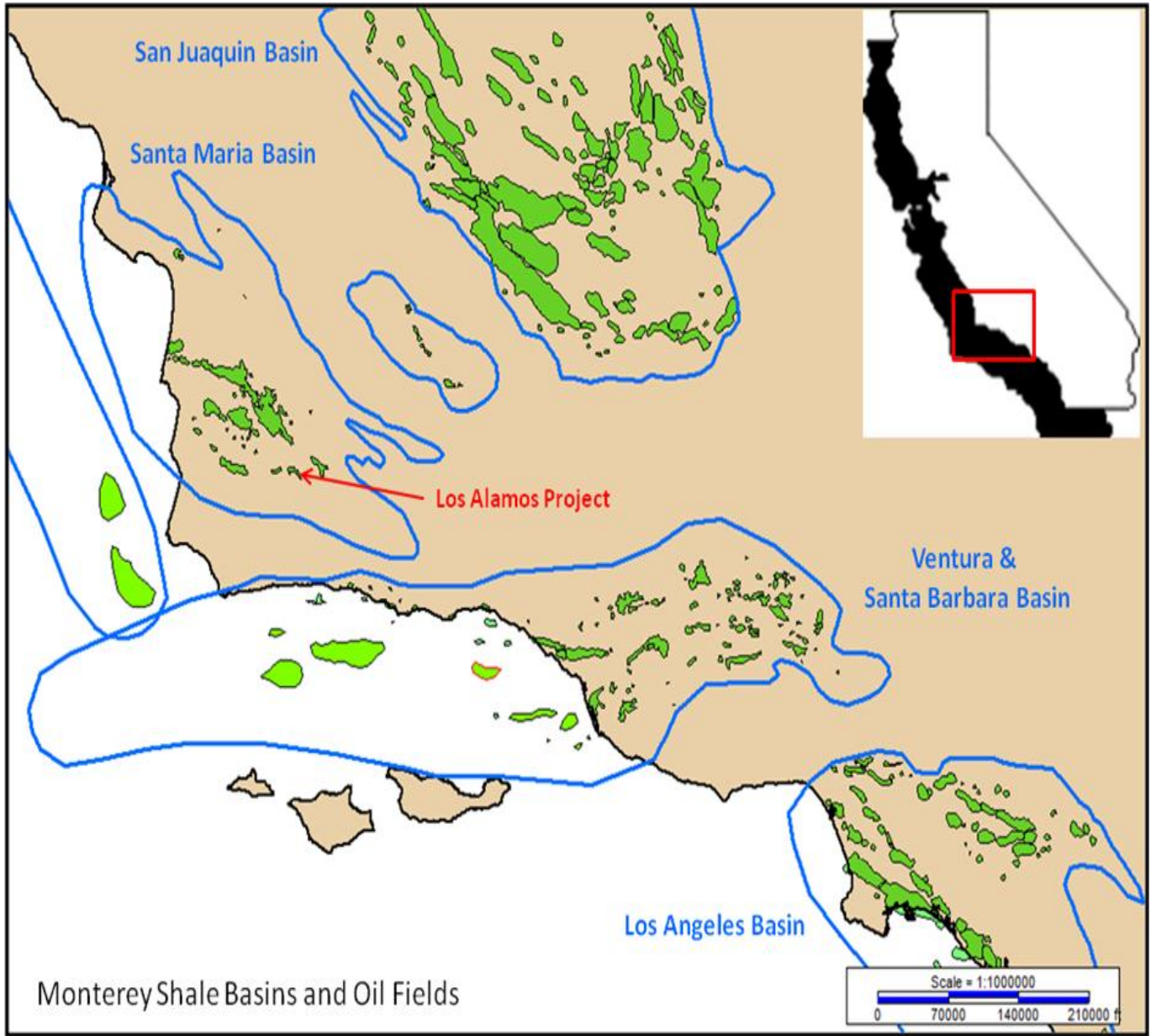
The proposed well will be drilled to approximately 12000 feet positioned updip from an existing well drilled in 1986 by Sun Oil which encountered extensive oil shows and a thin oil column in the primary objective being the Monterey shale target. The Monterey Shale is the main producing oil reservoir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

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

Discussions are taking place with potential joint venture parties to provide partial funding of this well.

The potential recoverable reserves from this structure is estimated to be 20/30 million barrels. The prolific Santa Maria basin has produced approximately 600 million barrels of oil to date. See the location map below.

Location Map



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HOOD - FRANKLIN GAS PROJECT SACRAMENTO CALIFORNIA (55%)

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

MANKINS RANCH OIL PROJECT CALIFORNIA (35%)

The Environmental Impact Report was released by the County of San Luis Obispo on the 27th January 2012 and the preliminary hearing of the Board of Commissioners is due to take place on the 23 February 2012

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

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

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

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

PORTER RANCH — CALIFORNIA (55% working interest)

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

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

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

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We are progressing with a work program which includes acquiring all historical well information, seismic data and other geological information

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

PEL 182

Onshore Petroleum Exploration Cooper Basin South Australia.

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

EP 435

Onshore Exmouth Sub Basin Western Australia 17% working interest.

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

TIMOR OIL LTD 50%

Onshore East Timor

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

G Jagelman
Managing Director

31 January 2012