

Australian Oil Company Limited

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QUARTERLY ACTIVITIES REPORT QUARTER ENDED 31 December 2010

SUMMARY OF OPERATIONS

HOOD - FRANKLIN GAS PROJECT SACRAMENTO CALIFORNIA (75%)

Due diligence has been completed and a US \$100,000 prospect fee has been paid to finalise this transaction.

SACGASCO LLC, which is a wholly owned subsidiary of AOC, is the operator of this project.

Planning is under way for the reentry of the cased and suspended Whitney # F-1 gas well. The spud date will be after the current rainy season in late March or April of this year

The Hood-Franklin Gas Field (HFGF) is located 12 miles south of the Californian Capitol of Sacramento. The HFGF comprises the Whitney #1 gas production well and the cased and suspended Whitney #F-1 well situated on 640 acres.

The Whitney #F-1 well was drilled to a depth of 10,562 feet (3,220 metres) and encountered over 350 feet (107 metres) of significant gas shows. Due to severe drilling difficulties wire line logs and flow testing were unable to be carried out.

AOC will earn it's interest in the HFGF by funding a sidetrack and completion of the Whitney #F-1 well which is currently budgeted to cost circa US \$1million.

The current operator of the HFGF estimates potential flow rates of 3 to 6mmcf per day and 8 to 15Bcf of possible recoverable reserves from a successfully completed Whitney #F-1 well. Assuming commercial flow rates from Whitney #F-1 the Joint Venture plans to drill at least another 4 production wells which are estimated to have similar flow rates and reserves.

The HFGF currently has an existing gas sales contract in place and is selling gas into the local grid.

We are currently in farmout discussions regarding the funding of this well.

MANKINS RANCH OIL PROJECT CALIFORNIA (35%)

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.

We expect the draft Environmental Impact Report will be released by the County in February and following this a detailed review by all parties will be carried out over a 45 day period as a precursor to the Permit application being determined by the boards of Commissioners and Supervisors of the County of San Luis Obispo.

A video of the proposed Mankins Ranch oil project is now available on the AOC web site www.australianoilcompany.com

PEL 182

Onshore Petroleum Exploration - Cooper Basin South Australia 5 to 12.5% working interest.

AOC's 12.5% interest is subject to a farmout to Dome Petroleum. The terms of the farmout have been met by Dome however at this time the assignment of the Dome interest has not been registered with PIRSA.

Preliminary agreement has been reached with Strategic Energy Resources Ltd to sell our remaining interest and the documentation is awaiting execution.

EP 435

Onshore Exmouth Sub Basin Western Australia 17% working interest.

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

overlapping structure.

TIMOR OIL LTD

Onshore East Timor

A joint study and application agreement was entered into with another party on the 16 December 2009. The purpose of the agreement is to conduct a joint evaluation funded by the other party. Under the provisions of this agreement all the terms remain confidential.

At this time there is no legislation in place in East Timor regarding onshore oil exploration.

NEW VENTURES

Consistent with company's stated objectives we are actively pursuing other opportunities in California.

G Jagelman

Managing Director

25 January 2011