AUSTRALIAN OIL CO.

14 JULY 2025

ASX Announcement

OPERATIONAL BUSINESS UPDATE

Highlights

- **Reclamation Board-7 and -8 gas wells flowing unassisted at average 215 mscf/d**
- **Technical and operational review of opportunities within CA leases to capitalise on improved natural gas prices**
- **Ongoing process to confirm CA lease statuses**
- **New venture opportunities being reviewed**

Australian Oil Company Limited (**Australian Oil** or **the Company**) (**ASX: AOK**) provides an operational business update to Shareholders regarding the Company's Californian operations.

Reclamation Board

As noted in the announcement dated 22 April 2025, the Company's Reclamation Board (**Rec Board**) 7 and 8 wells have been brought back online, initially flowing gas at a rate of 220 mscf/d. The Rec Board-7 and -8 wells are currently flowing unassisted ("**free flow**") at an average of 215 mscf/d, with maximum flow rates achieved of 275 mscf/d.

Prior to connection to the CRC pipeline, these wells were collectively flowing at approximately 150 mscf/d through a single large compressor. It was determined that the single large compressor was drawing the wells down too hard with the new system constraints entering the CRC system, resulting in instability and slugging of gas flows. The plan is now to install smaller individual compressors on each of the Rec Board wells, which should increase gas flows further. The larger compressor will now be located to increase gas flows in other operating leases.

Concurrently, the Company is conducting a technical and operational review of opportunities within its leases to take advantage of increase Californian natural gas prices. The results of this review thus far are positive and the Company is proactively looking to increase its land position and thereby achieve economies of scale.

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Lease Status Technical and Tenure Review

Following the divestment of the Company's Filipino and Canadian assets during 2024, the Directors commenced the process of confirming the status of all the Californian leases held by the Company's wholly owned subsidiary, PEOCO LLC, as reflected in its records.

Borba

The Company advises that the technical review of the Borba gas discovery is nearing completion and it can be confirmed that the Borba 1-7 exploration well ("Borba") that was cased, completed and flow tested in the Kione Formation (Kione) is uneconomic due to the size of the resource, quality of gas composition and distance to the nearest pipeline connection.

Specifically, the Borba well flow tested a small gas pool in the range of 0.5 to 1.5 Bcf in the Kione only, in which the gas itself has a high nitrogen content (~16% as a mole %) which would require a new pipeline of more than five (5) miles to the nearest PG&E pipeline infrastructure network that would take such gas. This cost is commercially prohibitive and larger volumes in the area would be required to look at such a pipeline connection or other options in the area to justify any further commercial studies to develop.

Analysis of well test data[1] from the shallow Kione flow test as well as wireline log analysis[2] confirms that the well has been damaged by a sub-optimal mud system. The Board is of the view that deeper potential hydrocarbon intervals have also been damaged and compromised in respect of an appropriate assessment of reservoir quality.

The potential of these deeper potential hydrocarbon intervals (Guinda Formation and deeper) that were drilled and originally part of the primary objectives of the exploration well remain uncertain. This is due, for operational reasons, to an incomplete suite of wireline logs that were run to total depth. In any event these intervals are no longer accessible as they were plugged off when the well was cased and completed for the Kione flow test.

The Company also considers that the deeper seismic amplitude events that were the original target of this well were not all drilled and the Company is still undertaking regional work to understand what the seismic amplitudes mean in terms of hydrocarbon potential and reservoir quality in this area and whether these features are worth pursuing as an exploration strategy.

In addition to the technical review, the leases for drilling of Borba were extended by one year in 2020. The last of these lease payments was made in 2021 which implies that these leases have now expired.

Given the focus of the Company has on other development leases and this technical and economic review, the Company considers this asset is immaterial and not appropriate for continued exploration assessment unless greater volumes of gas can be discovered in the area. This would require a reinvigorated exploration strategy with new leases negotiated with terms that are favourable to development.

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[1] A skin of 20 from pressure transient analysis of the Kiona indicates major formation damage to this interval which is some 1,000 metres shallower than other deeper intervals which were drilled with much heavier drilling muds

[2] Hole size irregularity from caliper size indicates that a significant section of the hole has broken out or sloughed because of the drilling mud used.

Dempsey

A review of the lease that includes the Dempsey 1-15 well ("Dempsey"), is still being completed but the Company can confirm that the well has been intermittently producing over the last few years due to some compromised completion and well integrity issues. The lease associated with Dempsey is held by production and the well is currently shut in. The source of these well integrity issues is not yet known but a preliminary review of operational practices has confirmed that large sections of hole were drilled and exposed in overbalanced conditions (high mud weights) and together with very large casing cementing volumes have impaired the ability for formation intervals to flow at economic rates.

There have been at least 3 workovers of Dempsey since the well was drilled, and a review is ongoing to determine if the well can be remediated and reinstated to a condition that could restore economic gas flows. The current state of the well is that it typically flows for a few days at a time before the onset of water production and subsequent shut in. The Company is currently assessing whether the large compressor at Rec Board can be used to sustain economic flows for longer than a few days.

In terms of the lease tenure, the lease was significantly reduced in size in late 2019 (relinquishment) to a size of 150 acres and royalties have been paid to mineral rights holders from gas flows from Dempsey. A reconciliation of the leases and royalties paid are currently being assessed to determine if it is in the commercial interests of the Company to hold the lease given the well is not delivering commercial quantities of gas while the remaining exploration potential in the lease is still being assessed. At this stage the Dempsey 1-15 specific lease is not considered material to the Company given the activities and other potential in its other Dempsey Area, Malton and Rec Board leases.

Project Names	Leases; Related Gas Field (HBP leases); or Key Well	Lease status	Working Interest (WI)*
Dempsey Area Project	Rancho Capay Unit, Big Jake, Rio Grande and Stoney Creek wells are associated with HBP Leases as well as intermittent production from Dempsey 1-15 ("Dempsey");	HBP* leases. Dempsey 1-15 is not flowing with plans to try and bring it back on to flow shortly. A reconciliation of royalty payments versus revenues and costs are being assessed to determine if the Dempsey specific lease will be held or relinquished.	40-60%
Borba Project	Borba 1-7 exploration well	Not a commercial discovery and leases have expired.	66.67%
Los Medanos Project	Los Medanos Gas Field. The main wells are the Neely wells were shut in royalties are being paid.	Shut-in royalties are being paid to hold the leases until gas flows can be reinstated requiring commerciality assessments.	90%
Malton Project	Malton Gas Field HBP Leases are associated with the VBC producing wells.	Shut-in royalties being paid while Company assesses the potential to tie in VBC wells to another Operator's meter. Company is also looking at opportunities that can be accessed by deepening VBC wells	45-70%
Dutch Slough Gas Project	Dutch Slough Gas Field. Scopes and Reedy wells are shut in with associated royalties being paid.	Shut-in royalties being paid due to lack of market and infrastructure.	70%
Rio Vista Gas Project	Rio Vista Field Wells Rec Board 7 and 8 are producing wells associated with HBP Leases.	Leases are HBP*.	100%

*HBP – Held by Production.

Existing Californian Opportunities

A number of other attractive opportunities in the Company's lease positions are being identified both in terms of development and exploration, leveraging off of the data from Dempsey and Borba. These include step-out potential at Rec Board, deeper opportunities within the VBC ("Malton") and Stoney Creek wells ("Dempsey Area") and near field exploration of same. New lease positions are also being identified by acquiring new data with a view that gas prices will trend upwards long term in California particularly as the majority of Canadian gas that was coming into Californian will now be sold into LNG markets at a premium to California prices leaving supply shortfall issues in California that are not being addressed by new exploration and development. Further updates will be released to the market shortly on these opportunities.

New Ventures

The Company has been assessing a number of new venture opportunities and notes that there has been an increasing number of licensing rounds both in Australia and further afield. These opportunities are available as energy security becomes a major challenge for many economies.

Deal flow has improved and has coincided domestically with the takeover offer of Santos, which represents further opportunities for juniors as majors shift away from exploration and focus more on mergers and acquisitions.

Following the Settlement Agreement entered into (refer ASX Announcement 3 July 2025) that will strengthen the Company's balance sheet, Australian Oil is now better placed to capitalised on this changed transactional environment.

Kane Marshall, Managing Director of Australian Oil Co said:

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After a sustained period of time addressing a number of corporate challenges, AOK is now optimally placed to not only see some value in its Californian properties but to pursue value accretive new business opportunities.

Licensing rounds in Africa, South America and Australasia are seeing a lot of interest which is seen as a precursor for policy in those economies to increase economic productivity by addressing energy security, which in turn helps fight persistent inflation. Without energy security, you hurt consumers, manufacturing, government debt management and the economy.

It is a great time to be in oil and gas exploration and development and that is where we should be focusing our attention for our investors now we are moving into this next new phase of growth.

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– ENDS –

This announcement has been authorised by the Board of Directors of the Company.

About Australian Oil Co

Australian Oil is an Australian-based energy company focused on under-explored, recently overlooked, world class oil and gas opportunities near under-supplied markets.

The Company is currently focused on conventional oil and gas exploration and production in the Sacramento Basin in California. Australian Oil has a portfolio of natural gas and oil producing wells, in addition to prospects and discoveries at various exploration and appraisal stages.

AOK is in process of evaluating the acquisition of oil and gas producing and exploration assets to enhance the Company's strategic needs and delivering shareholder value.

Australian Oil Company Limited

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Shares on Issue

1,001,782,997

Unlisted Options

10,000,000 ex $0.025 on or before 30-Apr-2029
10,000,000 ex $0.035 on or before 30-Apr-2029
10,000,000 ex $0.045 on or before 30-Apr-2029
125,937,937 ex $0.008 on or before 30-Jun-2026