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AUSTRALIAN OIL & GAS CORP

Form 10QSB

August 15, 2007

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-QSB

(Mark One)

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2007

☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission file number 000-26721

AUSTRALIAN OIL & GAS CORPORATION

-----  
(Exact name of Registrant as Specified in its Charter)

Delaware

84-1379164

-----  
(State or other jurisdiction of  
incorporation of organization)

-----  
(IRS Employer Identification Number)

2480 North Tolemac Way, Prescott, Arizona 86305

-----  
(Address of principal executive offices)

Issuer's Telephone Number: (928) 778 1450

Internet Website: [www.ausoil.com](http://www.ausoil.com)

NOT APPLICABLE

-----  
(Former name, former address and former fiscal year,  
if changed since last report)

Check whether the issuer (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒ No ☐

State the number of shares outstanding of each of the issuer's classes of common equity, as of the latest practicable date:

35,900,531 shares of common stock, \$0.001 par value, as of June 30, 2007.

Transitional Small Business Disclosure Format (Check one): Yes ☐ No ☒

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For the Quarterly Period Ended: June 30, 2007

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##### Item 1. Financial Statements (Unaudited)

Australian Oil & Gas Corporation

(an exploration stage enterprise)

CONSOLIDATED BALANCE SHEETS

ASSETS

(Dollar amounts in thousands)

As at 6/30/07      As at 12/31/06  
(Unaudited)      (Audited)

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-----

##### Current assets:

Cash and cash equivalents

606

734

Other receivables

1

3

-----

-----

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Total Current Assets	607	737
	-----	-----
Total Assets	607	737
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable (Note 4)	114	22
Income tax expense payable	1	26
Payables to director related entities	--	50
	-----	-----
Total Current Liabilities	115	98
	-----	-----
Non-current liabilities:		
Convertible Notes	290	276
	-----	-----
Total Non-current Liabilities	290	276
	-----	-----
Total Liabilities	405	374
	=====	=====
Stockholders' Equity		
Common stock, \$0.001 par value; 75,000,000 shares authorized		
36,650,531 and 35,900,531 shares issued and outstanding	28	28
As of June 30, 2007 and December 31, 2006, respectively		
Capital in excess of par value	948	948
Accumulated Other Comprehensive Income	226	155
Deficit accumulated during the exploration stage	(1,000)	(768)
	-----	-----
Total Stockholders' Equity	202	363
	-----	-----
Total Liabilities and Stockholders' Equity	607	737
	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

Australian Oil & Gas Corporation  
 (an exploration stage enterprise)  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (Unaudited)

(Dollar amounts in thousands -except per share data)

For the	For the	For the
six	six	three
months	months	months
ended	ended	ended
June 30,	June 30,	June 30,
2007	2006	2007

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Expenses	-----	-----	-----
General and administrative	118	69	73
Merger and reorganisation	--	--	--
Exploration	114	110	20
	-----	-----	-----
Total operating expenses	232	179	93
	-----	-----	-----
Net loss before other income and extraordinary item	(232)	(179)	(93)
	-----	-----	-----
Other Income and Expense			
Currency exchange gain /(loss)	--	--	--
Interest income	14	9	7
Interest expense	(14)	--	(7)
	-----	-----	-----
Loss before extraordinary item	(232)	(170)	(93)
	-----	-----	-----
Extraordinary Items			
Gain on purchase of subsidiaries, net of tax	--	306	--
	-----	-----	-----
Net income / (loss) before income taxes	(232)	136	(93)
Income tax provision	--	--	--
	-----	-----	-----
Net income/ (loss)	(232)	136	(93)
	=====	=====	=====
Income/ (Loss) per common share	\$ (.01)	\$ (.01)	\$ (-)
	=====	=====	=====
Extraordinary item	\$-	\$ .01	\$ (-)
	=====	=====	=====
Net income / (loss)	\$ (.01)	\$-	\$ (-)
	=====	=====	=====
Weighted average common share used in calculation	36,092,175	31,866,828	36,279,652
	=====	=====	=====

The accompanying notes are an integral part of these consolidated financial statements.

Australian Oil & Gas Corporation  
(an exploration stage enterprise)  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)

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(Dollar amounts in thousands)

	For the six months ended June 30, 2007 \$ -----	For the six months ended June 30, 2006 \$ -----	Cumulati from inc June -----
Cash flows from operating activities:			
Net income / (loss)	(232)	136	
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:			
Extraordinary Gain (Note 8)	--	(306)	
Issuance of convertible notes	(14)	--	
Stock based compensation	83	110	
Increase (decrease in cash) from changes in:			
Increase in accrued expenses and payables	(44)	196	
Decrease in receivables	1	--	
Decrease in other assets	--	5	
	-----	-----	-----
Net cash provided by (used in) operating activities	(206)	141	
	-----	-----	-----
Cash flows from investing activities:			
Cash of acquired subsidiaries	--	782	
Acquisition of subsidiaries	--	(112)	
	-----	-----	-----
Net cash provided by (used in) investing activities	--	670	
	-----	-----	-----
Cash flows from financing activities:			
Advances from director-related entities	43	3	
Repayment of advances from director-related entities	(36)	--	
Proceeds from sale of Common Stock - net	--	--	
	-----	-----	-----
Net cash provided by financing activities	7	3	
	-----	-----	-----
Increase/(decrease) in cash	(199)	814	
Cash and cash equivalents at beginning of period	734	10	
Effect of currency exchange rate fluctuations on cash held	71	--	
	-----	-----	-----
Cash and cash equivalents at end of period	606	824	
	=====	=====	=====
Supplemental disclosure of non-cash activities			
Administration Fees	--	--	
Interest expense	14	12	
Issuance of Stock	--	410	

The accompanying notes are an integral part of these consolidated financial statements.

Australian Oil & Gas Corporation  
(an exploration stage enterprise)  
NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

The accompanying interim financial statements of Australian Oil & Gas Corporation are unaudited. However, in the opinion of management, the interim data includes all adjustments, consisting of only normal recurring adjustments,

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necessary for a fair presentation of the results for the interim period. The results of operations for the period ended June 30, 2007 are not necessarily indicative of the operating results for the entire year. The interim financial statements should be read in conjunction with our Annual Report on Form 10-KSB for the year ended December 31, 2006.

### Note 1: Organization

Australian Oil & Gas Corporation (the Company) was incorporated in Delaware on August 6, 2003, and began operations on August 11, 2003 and is considered to be a crude petroleum and natural gas company in the exploratory stage as defined by SFAS No. 7. Since inception it has been engaged in the assessment of oil and gas exploration properties.

The Company has two wholly owned, Delaware-incorporated US subsidiaries; Gascorp, Inc. and Nations LNG, Inc. and two wholly owned Australian subsidiaries; Alpha Oil & Natural Gas Pty Ltd and Nations Natural Gas Pty Ltd.

On April 12, 2006, Australian Oil & Gas Corporation (AOGC) completed the acquisitions of each of Nations Natural Gas Pty Ltd (Nations) and Alpha Oil & Natural Gas Pty Ltd (Alpha), both companies incorporated in Australia. A director of AOGC, Mr EG Albers, is a director and or shareholder of each of the vendors of shares in Nations and Alpha.

The purchase of Nations was made in order to acquire 30% interest in the four permits of the National Gas Consortium, being permits, NT/P62, NT/P63, NT/P64 and NT/P65. The shareholders of Nations received 2,100,001 shares of common stock in AOGC and AUD\$50,000 as consideration for Nations.

The purchase of Alpha was made in order to acquire a 20% interest in the Browse Joint Venture, being permits, WA-332-P, WA-333-P and WA-342-P. The shareholders of Alpha received 2,000,002 shares of common stock in AOGC and AUD\$100,000 for consideration for Alpha.

### Note 2: Principles of Consolidation

The consolidated financial statements include the accounts of Australian Oil and Gas Corporation and its wholly owned subsidiaries Alpha and Nations. For reporting purposes, the subsidiaries were first included in the consolidated entity as at 31 March 2006.

### Note 3: Related Party Transactions

Mr. E Geoffrey Albers, the Chairman and President of AOGC, is a director and shareholder of each of Great Missenden Holdings Pty Ltd and of Setright Oil & Gas Pty Ltd. Effective from April 4, 2005, in return for the previous advances of \$212,000, the Company issued to Great Missenden Holdings Pty Ltd 212 Series I Convertible Notes of \$1,000 each, with an interest coupon of 10% per annum, convertible into shares of Common Stock at any time on or before December 31, 2007 on the basis of 12,500 shares of Common Stock for every \$1,000 Convertible Note or part thereof. Effective from April 26, 2005, Great Missenden Holdings Pty Ltd approved a further \$100,000 Line of Credit to the Company in return for the issue to Great Missenden Holdings of 100 Series II Convertible Notes of \$1,000 each with an interest rate of 10% per annum, convertible into shares of Common Stock at any time on or before 31 December, 2008 on the basis of 10,000 shares of Common Stock for every \$1,000 Series II Convertible Notes or part thereof. As at June 30, 2007, an amount of \$78,000 had been drawn down pursuant to the \$100,000 Line of Credit, which were converted into these Series II Convertible Notes. Great Missenden Holdings Pty Ltd charged \$7,068 for interest on all advances and \$11,203 for technical workstations during the quarter. Setright Oil & Gas Pty Ltd charged the Company \$10,795 during the quarter for the provision of accounting and administrative services rendered by third

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parties for the benefit of the Company, but not including services rendered by Mr. E Geoffrey Albers, who is remunerated separately.

We also have the use of premises in Australia at Level 25, 500 Collins Street, Melbourne, Victoria. The office space is taken on a nonexclusive basis, with no rent payable, but the usage of the premises is included in the charges Setright Oil & Gas Pty Ltd makes in respect to the administration of the Company.

Mr. Albers is a director and shareholder in the joint venture participants with Alpha Oil & Natural Gas Pty Ltd (Alpha) with regard to exploration permits ACP/33, ACP/35 and AC/P39; namely National Gas Australia Pty Ltd, Natural Gas Corporation Pty Ltd and Auralandia N.L. Mr Muzzin is a shareholder in Auralandia N.L. As a result of incurring expenditures, National Gas Australia Pty Ltd has earned an aggregate 25% interest in each of AC/P33, AC/P35 and AC/P39 (Vulcan Joint Venture), 5% of which was earned from AOGC subsidiary, Alpha.

With regard to the Browse Joint Venture, Mr. Albers is a director and shareholder in each of Batavia Oil & Gas Pty Ltd and Exoil Limited, the parent of Hawkestone Oil Pty Ltd. He is a major shareholder in the parent of Goldsbrough Energy Pty Ltd. All of these companies are the holders of the Browse Joint Venture.

Mr. Mark A Muzzin, a director and Vice-President of AOGC, is a director of Goldsbrough Energy Pty Ltd, a subsidiary of Goldsbrough Limited and is a shareholder in Exoil Limited, the parent of Hawkestone Oil Pty Ltd.

With regard to the National Gas Consortium, Mr. Albers is a director and shareholder in each of National Oil & Gas Pty Ltd, Australian Natural Gas Pty Ltd and Natural Gas Australia Pty Ltd. Expenditure incurred by National Gas Australia Pty Ltd has resulted in National Gas Australia Pty Ltd earning an aggregate 20% interest in each of NT/P62, NT/P63, NT/P64, NT/P65, NT/P71 and NT/P72, (National Gas Consortium), of which 6% was earned from Nations.

### Note 4: Current Liabilities

At June 30, 2007 the accounts payable balance includes \$82,500 for remuneration due to Mr Albers for his services as set out in Note 3 Related Party Transaction.

### Note 5: Issued Shares

At 30 June 2007, 750,000 shares included in issued and outstanding shares of 36,650,531 disclosed in the balance sheet and used for the earnings per common share calculation were not issued. These shares were authorised to compensate Mr Albers and will be issued in the quarter ending December 31 2007.

### Note 6: Comprehensive Income

Comprehensive income is the change in equity during a period from transactions and other events from non-owner sources. The Company is required to classify items of other comprehensive income in financial statement to display the accumulated balance of other comprehensive income separately in the equity section of the Consolidated Balance Sheet.

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The functional currency of Australian Oil & Gas Corporation's Australian subsidiaries is the Australian dollar. The comprehensive income of \$246,000 disclosed in the Consolidated Balance Sheet is the accumulation of all currency exchange differences arising from translating the Australian subsidiaries' financial statements from functional currency to presentation from the acquisition date of these Australian subsidiaries to the current balance date.

Note 7: Extraordinary Gain - amendment of comparatives

The Form 10-Q for AOGC for the period ended 30 June 2006 disclosed an extraordinary gain on the acquisition of two Australian subsidiaries as \$682,000. The amount of the extraordinary gain should have been \$306,000, as disclosed in the 30 June 2006 comparative balances in the accompanying financial statements, and results from expensing the acquired subsidiaries' capitalised exploration expenditure in unproven areas of interest in accordance with US GAAP.

### Item 2. Management's Discussion and Analysis or Plan of Operation

#### Forward-looking statements

References in this report to "the Company", "we", "us", or "our" are intended to refer to Australian Oil & Gas Corporation. This quarterly report contains certain statements that may be deemed forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act), and Section 21 E of the United States Securities Exchange Act of 1934, as amended (Exchange Act). Readers of this quarterly report are cautioned that such forward-looking statements are not guarantees of future performance and that actual results, developments and business decisions may differ from those envisaged by such forward-looking statements.

All statements, other than statements of historical facts, so included in this quarterly report that address activities, events or developments that the Company intends, expects, projects, believes or anticipates will or may occur in the future, including, without limitation: statements regarding our business strategy, plans and objectives and statements expressing beliefs and expectations regarding our ability to successfully raise the additional capital necessary to meet our obligations, our ability to secure the permits necessary to facilitate anticipated seismic and drilling activities and our ability to attract additional working interest owners to participate in the exploration for and development of oil and gas resources, are forward-looking statements within the meaning of the Act. These forward-looking statements are and will be based on management's then-current views and assumptions regarding future events.

#### Plan of Operation

-----

General Australian Oil & Gas Corporation is an independent energy company focused on the acquisition and exploration for oil and natural gas resources. Our core business is directed at the acquisition of interests in oil and gas properties in the offshore areas of Australia's territorial waters. We rely on the considerable experience in the oil and gas industry of our President, Mr. E. Geoffrey Albers, and our consultants, to identify and conduct initial analyses of properties in which we may acquire an interest.



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Strategy We devote essentially all of our resources to the identification of large-tract oil and gas properties in their early stages of exploration which have the potential for a high impact outcome for the Company in the event of exploration success. We plan to advance the prospectivity of these properties through the application of geological and geophysical expertise and through the provision of new 2D and 3D seismic surveys. We seek to keep our capital outlays and overheads at a minimum level. We retain selected consultants, contractors and service companies. We use proven technologies in evaluating the prospectivity of our oil and gas properties. We expect to invest in projects at different levels of participation, including 100% ownership. We plan to maintain as high a percentage of participation as can be prudently managed. We will focus on areas considered to have speculative near term potential for oil discovery or medium term potential for gas discovery. An important part of our strategy is to select prospective acreage which, at the seismic or drilling stage, can be farmed out and/or developed in conjunction with other industry players so as to minimize our financial outlay requirements, wherever possible, through promoted transactions. Our overall intention is to provide maximum leverage for shareholders at minimal cost, in return for the high risk activities that we undertake.

Since August 2003, when current management began operating the Company, we have not conducted any revenue generating business operations. Accordingly, we have no results of such operations to report. However, we continue to actively pursue our long term strategy of acquiring interests in oil and gas exploration projects with a particular emphasis on the northern basins of the North West Shelf of Australia.

Following implementation of our acquisition strategy we now hold interests in 14 Petroleum Exploration Permits granted by the Commonwealth of Australia. With one exception, they are held in joint venture with other parties.

### Vulcan Joint Venture

Our wholly owned subsidiary, Alpha Oil & Natural Gas Pty Ltd, following farmout of seismic commitments to National Gas Australia Pty Ltd (NGA), (see below) now holds a 15% interest in the permits, AC/P33, AC/P35 and AC/P39 in joint venture with its affiliates; NGA (25%), Natural Gas Corporation Pty Ltd (NGC) (30%) and Auralandia N.L. (Auralandia) (30%), the designated Operator. The permits are within the territory of Ashmore and Cartier Islands, an Australian offshore territory.

Geologically, AC/P33, AC/P35 and AC/P39 are located on the eastern margin of the Vulcan Sub-basin; one of a number of proven petroliferous sub-basins which together comprise the North West Shelf hydrocarbon province of Australia.

AC/P33 includes the undeveloped Oliver oil and gas accumulation, drilled by the now plugged and abandoned Oliver-1 well. AC/P33 comprises five graticular blocks, totaling approximately 400 km<sup>2</sup> (98,800 acres). In the first three years of the initial 6-year term of permit AC/P33, the joint venture participants have obtained a range of existing reports and open file seismic data and have mapped, interpreted and revised analyses and concepts for the area. The joint venture has carried out enhancement of existing seismic data around the Oliver feature, and has examined various techniques for the potential use to provide direct hydrocarbon indicators. As a direct result of the farmout to NGA, the joint venture has acquired 124 km<sup>2</sup> (acres) of new high quality enhanced parameter 3D seismic survey, known as the Oliver 3D Seismic Survey. The survey was conducted over the Oliver feature and part of its extension to the east.. Active geological and geophysical evaluation of the permit continues

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including processing of the Oliver Seismic Survey and reprocessing of part of the immediately adjacent Onnia 3D Seismic Survey in the vicinity of the Oliver-1 well. Should the joint venture so decide, it can elect to enter the second three years of the initial permit and drill one exploration well and perform further interpretational work

AC/P35 is located immediately to the north of AC/P33. It comprises 46 graticular blocks, totaling approximately 3,410 km(2) (842,645 acres). There have been five wells drilled in the area, with two having oil and gas indications, all of which were plugged and abandoned. In the first three years of the initial 6-year term of the AC/P35 permit, we plan to obtain a range of pertinent existing reports and open file seismic data. In the third year, we presently plan to shoot 250 km(2) of 3D seismic survey. Should we so decide, we can elect to enter the second three years of the initial permit term and drill one exploration well and perform further interpretational work. Geological evaluation of the permit is continuing, including the reprocessing of approximately 1,750 km(2) of previously acquired 3D seismic over AC/P35. The joint venture is reprocessing the part of the Onnia 3D Seismic Survey which relates to AC/P35.

AC/P39 is located 600 km west of Darwin, immediately to the east of AC/P33 and AC/P35. It comprises 11 graticular blocks, totalling approximately 920 km(2) (2,273 acres). AC/P39 lies within 100 km of existing petroleum production facilities and along the eastern elevated flank of the Vulcan Sub-basin, a broad, deep and proven hydrocarbon-generative basin. There have been five wells drilled in the area, with two having oil and gas indications. In the first three years of the initial 6-year term of the AC/P39 permit, we plan to obtain a range of existing reports and open file seismic data. In the third year, we plan to drill one exploration well. Geological evaluation of the permit is continuing, including the re-processing of approximately 920 km(2) of previously acquired Onnia 3D seismic over AC/P39.

The AOGC group agreed to farmout 5% of its 20% interest in each of the Vulcan Joint Venture Permits to National Gas Australia Pty Ltd (leaving Alpha with a 15% interest) in return for the acquisition and funding of Alpha's 20% share of the new Oliver 3D seismic survey of approximately 124 km(2) and the funding of the reprocessing of approximately 2,800 km(2) of existing 3D data. The cost of the Company's share of the Oliver survey has been met entirely by National Gas Australia Pty Ltd.

### Browse Joint Venture

We hold a 20% interest in the Permits of the Browse Joint Venture (WA-332-P, WA-333-P and WA-341-P) together with three other participants (Batavia Oil & Gas Pty Ltd has a 35% interest, Hawkestone Oil Pty Ltd has a 35% interest and Goldsborough Energy Pty Ltd has a 10% interest). The Permits are contiguous and are located in the offshore Browse Basin, a part of the North West Shelf of Australia. They cover a total area of 9,460 km(2) (2,336,620 acres).

The Browse Basin region is a proven major hydrocarbon area and it forms a part of the extensive series of continental margin sedimentary basins that, together, comprise the North West Shelf hydrocarbon province of Australia. The Browse Basin has been host to a series of major gas, gas condensate and oil discoveries which began with the 1971 discovery at Scott Reef-1. The Browse Basin is currently the focus for two proposals to establish new LNG export facilities; one by Woodside Energy Ltd in relation to the Scott Reef/Brecknock complex and the other by Inpex Corporation in relation to the Ichthys complex. The Browse Joint Venture permits are presently lightly explored. There is one

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well on the boundary of WA-332-P (Prudhoe-1), one well in WA-333-P (Rob Roy-1), and a total of fourteen wells in WA-342-P, mostly associated with the undeveloped Cornea oil and gas accumulation.

In October, 2006 the Browse Joint Venture completed the shooting of the Braveheart seismic survey of approximately 1,949 line km of new 2D seismic survey over these Browse Joint venture permits

In the first three year term of the Permits, the Browse Joint Venture committed to obtain available open file reports and basic 2D and 3D seismic data acquired by earlier efforts of previous explorers. This included approximately 1,100 km(2) of high quality 3D seismic known as the Cornea 3D survey which is held by the Browse Joint Venture. Approximately 1,000 km(2) of this 3D data set is being reprocessed. The data sets will be integrated with the acquisition and processing of the recent 1949 line km Braveheart 2D seismic survey to infill the existing grid of data, with lead specific coverage. Should the Browse Joint Venture so decide, it can elect to enter a second three year permit term and in which it has indicated it will drill one well in each permit. Active geological and geophysical evaluation of all of the Browse Joint Venture Permits is continuing, with special studies having been carried out in respect to the undeveloped Cornea oil and gas accumulation.

### National Gas Consortium

Through our wholly owned subsidiary, Nations Natural Gas Pty Ltd, we hold a 24% interest in the six permits of the National Gas Consortium, being permits, NT/P62, NT/P63, NT/P64, NT/P65, NT/71 and NT/P72 ("Timor Sea Permits"), located in the Australian sector of the Timor Sea, offshore from the Northern Territory. The three other joint venture participants are National Oil & Gas Pty Ltd (35%), Australian Natural Gas Pty Ltd (35%) and National Gas Australia Pty Ltd (6%). The National Gas Consortium now holds six permits aggregating approximately 32,255 km(2) (7,970,533 acres).

The Timor Sea covers a huge area underlain by sedimentary basins with potential for new hydrocarbon discoveries. The region has a long history of exploration activity and discovery and has now become the focus for domestic and international petroleum exploration and development activities. There have been numerous oil and wet gas discoveries to the north west in the region of the permits, including the Laminaria, Corallina and Bayu-Undan fields. The giant gas fields of Greater Sunrise, Evans Shoal, Caldita and Barossa are to the north and east of the permits.

The Timor Sea is a major emerging province, with a developing emphasis in gas processing for the export market. Discoveries made over the past few years are expected to lead to the area providing substantial gas production and revenue, through value-added gas projects covering a wide spectrum of gas to liquids processes and technologies.

The Company on June 15, 2006, agreed to farmout 6% of its 30% interest in each of the Timor Sea Permits to National Gas Australia Pty Ltd (leaving Nations with a net 24% interest) in return for the acquisition and funding of Nations 30% share of the new Sunshine and Kurrajong 2D seismic survey of approximately 4,200 km. The cost of the Company's share of the Sunshine and Kurrajong surveys has been met entirely by National Gas Australia Pty Ltd.

### Eastern Bonaparte Basin NT/P70 Joint Venture

On October 10, 2005, the Australian Government granted a petroleum

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exploration permit, NT/P70, for an initial 6-year term. The Company initially held a 100% interest in the permit and now holds an 80% interest as the result of farmout (see below).

NT/P70 covers an area of 7,370 km<sup>2</sup> (1,821,200 acres) and is located in the eastern Timor Sea, about 300 km north of Darwin, and 250 km northeast of the proposed Darwin to Bayu-Undan gas pipeline. The Greater Sunrise, Evans Shoal, Barossa and Caldita gas accumulations are located to the west and southwest of the NT/P70 permit area.

AOGC agreed on June 15, 2006, to farmout 20% of its 100% interest in NT/P70 to National Gas Australia Pty Ltd in return for the acquisition and funding by NGA of the new 800 line km Crocodile 2D seismic survey, subsequently acquired in the NT/P70 permit.

The permit has been designated as a "frontier area" by the Australian Government attracting an exploration incentive which allows immediate uplift to 150% tax deductibility on Australian Petroleum Resource Rent Tax ("PRRT") which is only payable provided certain levels of return from production are achieved.

We have obtained a range of pertinent existing reports and open file seismic data and, with this data, have mapped, interpreted and revised analyses and concepts for the area. We presently plan to shoot 300 km<sup>2</sup> of 3D seismic survey, following interpretation of the 800 line km Crocodile 2D seismic survey acquired during the year. Should we so decide, we can elect to enter the second three years of the initial permit term and drill one exploration well and perform further interpretational work. There have been no wells drilled in the permit.

### NT/P73

On March 27, 2007, the Australian Government granted to our wholly owned subsidiary, Alpha, a petroleum exploration permit, NT/P73, for an initial 6-year term. The Company holds a 100% interest in the permit. NT/P73 is located to the immediate south west of NT/P70 and covers an area of 6,815 km<sup>2</sup> (1,683,300 acres). The Barossa and Caldita gas accumulations are located to the west of the NT/P73 permit area.

In the first three years of the initial 6-year term of the NT/P73 permit we plan to obtain existing reports and open file seismic data and, with this data, to map, interpret and revise analyses and concepts for the area. We presently plan to shoot 2,000 line km of 2D in the third year of the permit. Should we so decide, we can elect to enter the second three years of the initial permit term and drill one exploration well and perform further interpretational work. There have been no wells drilled in the permit area.

**Permitting** It should be noted that, provided all exploration commitments are met, Australian offshore petroleum exploration permits may be renewed for two further 5-year terms, upon relinquishment of 50% of the area of a permit at the end of the first 6-year term, and again at the end of the second 5-year permit term. Any Retention Lease or Production License is excluded from the calculation of the area to be relinquished. Permits therefore, have a potential 16-year life, subject to these requirements and to the fulfillment of exploration commitments.

**Management** The Company relies upon its Chairman and President, who also holds the position of Chief Executive Officer and Chief Financial Officer, Mr. E Geoffrey Albers, to manage the Company's operations and to identify and acquire interests in oil and gas prospects. The Company has entered into an agreement with Mr. Albers to secure his services on a part-time basis for a 3-year period, with a commencement date effective from January 1, 2005. As the Company's cash

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resources are limited, the board agreed to remunerate Mr. Albers by issuing common stock in lieu of cash payments. Specifically, the Company issued 2,500,000 shares of Common Stock to Mr. Albers for his services in relation to the period from January 1, 2005 to December 31, 2005. A further 2,000,000 shares of Common Stock were issued to him for his services for the period from January 1, 2006 to December 31, 2006. A further 1,500,000 shares of Common Stock will be issued to him for his services for the period from January 1, 2007 to December 31, 2007 (the financial statements for the quarter have accrued \$41,250 representing a pro-rata amount of this compensation).

**Funding** As an exploration stage enterprise, the Company has and continues to rely on capital infusions through the advances of Great Missenden Holdings Pty Ltd. The Company has accepted advances and in the future anticipates that it will draw down further advances to enable it to meet its administrative costs and expenditure requirements in developing its portfolio of oil and gas interests. When the Company requires further significant funds for its exploration programs, then it is the Company's intention that the additional funds would be raised in a manner deemed most expedient by the Board of Directors at the time, taking into account budgets, share market conditions and the interest of industry in co-participation in the Company's programs. The Company's main strategy is to meet its obligations either by farmout, or partial sale of the Company's interests. Should these methods not be viable, it is the Company's plan that they could be raised by any one or a combination of the following manners: stock placements, pro-rata issue to stockholders, and /or an issue of stock to eligible parties. Should funds be required for appraisal or development purposes the Company would, in addition, look to project loan finance.

### Item 3. Controls and procedures

#### Disclosure Controls and Procedures

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As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of June 30, 2007. This evaluation was carried out under the supervision and with the participation of our President and Chief Financial Officer. Based upon that evaluation, our President and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of such date.

As used herein, "disclosure controls and procedures" means controls and other procedures of ours that are designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports we file or submit under the Securities Exchange Act is accumulated and communicated to our management, including our President and Chief Financial Officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

#### Internal Control Over Financial Reporting

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There were no changes in the Company's internal control over financial reporting that occurred during the Company's second fiscal quarter of 2007 that have materially affected, or are reasonably likely to materially affect, the

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Company's internal control over financial reporting.

We have not yet become subject to the requirement to include an annual report of management on our internal control over financial reporting in our annual reports filed with the Securities and Exchange Commission under Section 13 or 15(d) of the Securities Exchange Act of 1934.

### Part 11. OTHER INFORMATION

#### Item 6. Exhibits

##### List of Exhibits

- 31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

### SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

#### AUSTRALIAN OIL & GAS CORPORATION

By: /s/ E. Geoffrey Albers  
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E. Geoffrey Albers,  
Chief Executive Officer and  
Chief Financial Officer

August 14, 2007