

AUSTRALIAN OIL & GAS CORP
Form 10-K
March 28, 2012

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

Form 10-K

- ☒ ANNUAL REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2011

- ☐ TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission file number 000-26721

AUSTRALIAN OIL & GAS CORPORATION

(Name of small business issuer in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

84-1379164
(I.R.S. Employer
Identification No.)

Level 21, 500 Collins Street
Melbourne Victoria Australia
(Address of principal executive offices)

3000
(Zip Code)

Issuer's telephone number (61-3) 8610 4700 Website: www.ausoil.com

Securities registered under Section 12(b) of the Exchange Act: None

Securities registered under Section 12(g) of the Exchange Act:
Common stock - \$0.001 par value
(Title of class)

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the issuer (1) filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 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 ☐

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Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☐ No ☐

Indicate by checkmark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.
☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated
filer ☐ Accelerated filer ☐

Non-accelerated
filer ☐ Smaller reporting company ☒

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes ☐ No ☒

The aggregate market value of the voting shares of the registrant (based on the closing price reported by the OTC Bulletin Board on or before December 31, 2011), held by non-affiliates was \$611,950. For purposes of this disclosure, shares of common stock held by persons who own 5% or more of the outstanding common stock and shares of common stock held by each officer and director have been excluded in that such persons may be deemed to be "affiliates" as that term is defined under the Rules and Regulations of the Securities Exchange Act of 1934, as amended. This determination of affiliate status is not necessarily conclusive.

Check whether the issuer has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Exchange Act after the distribution of securities under a plan confirmed by a court. Yes ☒ No ☐

As at March 28, 2012, 49,450,531 shares of common stock were outstanding.

Documents incorporated by reference: None

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Forward Looking Statements

References in this report to “the Company”, “we”, “us”, “AOGC”, or “our” are intended to refer to Australian Oil & Gas Corporation. This annual 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 21E of the U.S. Securities Exchange Act of 1934, as amended (Exchange Act). Readers of this annual 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 annual 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 the Company’s business strategy, plans and objectives and statements expressing beliefs and expectations regarding the ability of the Company to successfully raise the additional capital necessary to meet its obligations, the ability of the Company to secure the permits, licenses and leases necessary to facilitate anticipated drilling activities and the ability of the Company to attract additional working interest owners to participate in the exploration and development of oil and gas reserves, are forward-looking statements within the meaning of the Securities Act and the Exchange Act. These forward-looking statements are and will be based on management’s then-current views and assumptions regarding future events.

PART I

ITEM 1. BUSINESS

Australian Oil & Gas Corporation, a Delaware corporation formed on 6th August 2003, is an energy company that explores for natural gas, crude oil and natural gas liquids. Our common stock, par value \$0.001 per share, has been traded on the OTC BB since 2003.

The Company seeks oil and gas exploration opportunities in offshore waters within the territorial boundaries of Australia. Once acquired, our strategy is to carry out preliminary geological assessments, including the acquisition of pre-existing data, the formulation and undertaking of new 2D and 3D seismic programs and, if supported by geological rationale and appropriate funding, the drilling of wells to determining whether any viable resource may exist.

The company has two wholly owned Australian subsidiaries; Alpha Natural Resources Pty Ltd (formerly Alpha Oil & Natural Gas Pty Ltd and Nations Natural Gas Pty Ltd. Alpha Natural Resources Pty Ltd itself has three wholly owned Australian subsidiaries, Vulcan Australia Pty Ltd (which held the joint venture interest in the Nome Joint Ventures), Braveheart Oil & Gas Pty Ltd (which held the joint venture interest in the Braveheart Joint Venture) and Cornea Oil & Gas Pty Ltd (which will holds the joint venture interest in the Cornea Joint Venture).

AOGC’s goal has been to grow a profitable oil and gas company for the long-term benefit of our shareholders. Our strategy has been to build a portfolio of core exploration acreage which provides growth opportunities through grass-roots exploration activity, including the acquisition of seismic surveys and subsequent drilling.

When acquisition opportunities have been identified, small operational and technical teams have participated in the evaluation process, enabling our Company to move quickly to execute exploration strategies. Over time we have built a team with the technical knowledge to maximize value. Our local knowledge of Australian producing basins and our proactive culture provided us with a potential platform for growth through a strategy of acreage acquisition, prospect development and farmout.

An integral part of our plan has been to actively evaluate our assets to determine whether farmout or sales of these assets might provide opportunities to reduce commitments, to spread risk and to redeploy our capital resources, so as to seek to constantly rebalance our portfolio and generate new prospects.

These operational strategies have historically been successful in that we have acquired significant interests in permits in offshore Australian waters and been able to exploit them by a combination of farm-out and sale to substantially fund the bulk of our exploration activities.

However, insofar as our current position is concerned, the results of exploration in the more recent past have been generally unsuccessful and we have, in many cases, elected to relinquish or surrender permit interests where our exploration activity has found our permits to be insufficiently prospective to warrant further exploration or where we are unable to farm them out or raise capital for their exploration.

The result of the above, as more particularly disclosed herein, is that we only retain interests in two of our prior permits with those being NT/P73 and WA-342-P, which are held by Alpha and its subsidiary Cornea Oil & Gas Pty Ltd respectively.

At the same time, our subsidiary, Nations Natural Gas Pty Ltd, has negotiated a farmin to the WA-422-P permit. Permit WA-422-P was granted on 13 November 2008 for a period of six years and comprises 66 graticular blocks (approximately 4,605 km²) in the Bonaparte Basin, offshore Western Australia

We recognize the difficulty we have in raising funds generally and we recognize that, to the extent that we have not been able to raise funds through the sale by our subsidiaries of permit interests or been successful in meeting commitments by farmout, we have been dependent on financial support from our principal shareholders.

In a move to facilitate access to capital markets we have considered a number of possible options. These options included our registration as a foreign company in Australia, where our central management and control exists and where we have the capacity to access Australian capital markets. However, we have discarded that option because we consider that our being incorporated in Delaware and subject to US law will mean that investing in our shares will be less attractive to Australian investors than investing in an Australian incorporated entity, which will be governed by Australian laws, with which those investors are familiar, and which will be subject to the Australian taxation system which they will also be familiar.

To this end, our subsidiary, Alpha Natural Resources Pty Ltd, has resolved to change its status to that of a public company so that it is in a position to raise capital in Australia. It is expected that the change of status process will be complete by the start of April 2012.

To ensure that our shareholders interests are preserved and so that they have a direct interest in this subsidiary in the same proportion as they own the Company, we plan to spin-off Alpha Natural Resources Pty Ltd on the change of status becoming effective. This will provide Alpha (under its changed status) with access to Australian capital markets. This subsequent change of status will not affect the timing of the spin-off. This proposed spin-off, and the issues surrounding it, are discussed in more detail in Item 7 under the heading "Management's Discussion and Analysis of Financial Conditions and Results of Operations".

We continue to regard Australia as a relatively immature oil and gas country, so that our ongoing exploration strategy will continue to focus on Australia and on obtaining potential exposure to larger gas/liquids targets which may ultimately establish significant production and reserves through successful drilling.

Liquefied Natural Gas "LNG" sourced natural gas may provide a significantly larger share of the natural gas market. We will continue to target potential natural gas supply sources suitable not only for LNG processing and

export, but also for domestic Australian consumption, subject to successful exploration and exploiting of our existing exploration acreage and any additional acreage we may acquire.

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We have historically focused on the Bonaparte Basin and Browse Basin region and intend to continue to focus on those areas because:

- We have developed significant expertise and have an extensive database of information about the geology and geophysics of these regions;
- We believe there is potential for resources in these regions that have not yet been discovered; and
- The construction of infrastructure for efficiently developing, producing, transporting and processing natural gas is being actively promoted or has been initiated in each region by others.

Nations Natural Gas Pty Ltd farmin into the WA-422-P permit re-enforces that focus. Details of the farmin are set out in Item 2 under the heading “Properties”.

Background to Australian Offshore Permits

To gain control of offshore exploration areas in Australia, a Petroleum Exploration Permit (“Permit”) must be tendered for and subsequently granted by the Designated Authority, acting pursuant to the Offshore Petroleum and Greenhouse Gas Storage Act 2006 of the Commonwealth of Australia (“the Act”). A Permit provides rights to the holder to undertake exploration, including seismic surveys and drilling, in the defined area of a Permit. A Permit is granted for an initial six year period. Under the terms of a Permit, the exploration work program nominated for the first three years must be met. The Permit holder may withdraw from the Permit after the third permit year, or at the end of any subsequent Permit year, provided that all the exploration work obligations up to the date of withdrawal have been met.

It should be noted that (provided all work commitments are carried out) Australian 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.

The holder of a Permit may not construct any installation in the Permit or abandon, suspend or complete any well without the written approval of the Designated Authority. A Permit requires the holder to comply with the Act, the regulations and all directions made there under and to carry out operations with adequate measures for the protection of the environment and to carry insurance as directed by the Designated Authority. A Permit incurs a modest yearly rental figure.

A Permit is granted by the Designated Authority following a competitive tender program, based on the best work program offered. The experience of the directors and the technical and financial resources of the applicant are taken into consideration before a decision is made. The Company considers that it satisfies the Designated Authority’s requirements and believes that in the future it will be able to secure acreage. We have already acquired interests in a number of Permits (See Item 2 – Properties). Our President, Mr. Ernest Geoffrey Albers, has a track record in successfully bidding for exploration permits, and of subsequently progressing through farmout and exploration with major international companies.

For the most part, major companies have dominated the offshore exploration industry in Australia. More recently, new and independent international operators have become increasingly active. The Company is encouraged by this increased activity and by the diversity of geological concepts being developed.

Increasing availability of sophisticated off-the-shelf technologies from service companies and of expert technical advice from consultants, all aided by the latest computing power, allow companies such as ours to operate in this environment. There is a worldwide pool of rig operators, seismic service companies and technical consultants upon which we can draw for products and specialist expertise, allowing us to participate at a high level of expertise.

A significant element of our strategy includes the acquisition and control of strategic areas which have potential to be farmed-out, sold or developed in conjunction with industry players: it being recognized that the Company lacks the resources to fully explore and develop areas on its own behalf. The funding of our programs by others in return for a percentage interest in our exploration permits (farm-out) is a vital part of our strategy and not only spreads risk but, importantly, conserves our capital. We sponsor or assist in the sponsorship of companies for the express purpose of assisting with the funding of costs of our exploration program.

When we require further funds for our programs, it is our 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, interest of industry in co-participation in our programs and share market conditions. It is our intention to meet our funding obligations by either partial sale of our interests or farm-out, either to third parties or to entities sponsored by the Company, farmout being a vital part of management's overall strategy. It is also part of our plan that funds could be raised by further issues of stock or the promotion of new companies for this purpose. Should funds be required for appraisal or development purposes we would, in addition, look to project loan finance.

Oil and Gas Interests

The Company presently holds interests in three petroleum exploration permits in the offshore areas adjacent to Australia. WA-342-P and NT/P73 are held by Alpha and Cornea Oil & Gas Pty Ltd respectively, while the interest in WA-422-P, which was acquired after December 31, 2011, is held by Nations Natural Gas Pty Ltd

| Permit | Geological Basin/Sub Basin | Percentage Held | Joint Venture Name |
|----------|-------------------------------|-----------------|-----------------------|
| WA-342-P | Browse | 8.5% | Cornea |
| NT/P73 | Bonaparte | 65% | Stillwater |
| WA-422-P | Bonaparte | 5% | WA-422-P JV |

See Item 2 "Properties" of this report for more information concerning our intentions and our past and recent exploration activities with respect to our oil and gas interests.

The interests in WA-342-P and NT/P73 will cease to be held by us on completion of the proposed spin-off but will remain held by Alpha in which all our stockholders will have the same pro rata through their holding of Alpha shares as they presently have through their holding of our common stock.

Reserve Estimates

The Company has no oil and gas reserves at the present time.

Production

The Company has had no oil and gas production to date.

Productive Wells and Acreage

The Company has no productive wells or productive acreage at the present time.

Underdeveloped Acreage

See Item 2 "Properties" of this report for further information concerning our oil and gas interests.

Drilling Activity

No drilling activity occurred during the year.

Current Activities and Plans

Our current activities relate solely to our participation in oil and gas exploration in the offshore areas of Australia, as described above. (For more information with respect to our current activities and plans see also Item 2 - "Properties").

Competitive Factors

The acquisition of oil and gas interests is highly competitive. We anticipate that we will continue to encounter strong competition from many established companies with far greater financial, personnel and informational resources. Competition from such companies may escalate the cost of acquiring properties beyond the range of prices we can afford. Even if valuable oil and gas deposits are discovered on our properties, our ability to develop and exploit and their marketability will depend on numerous factors, including available equipment and personnel for which there is strong demand, and other competing supplies of oil and gas.

Environmental Compliance and Risk

Since the Company is engaged in the natural resources industry, environmental regulation has a significant impact upon our operations and may necessitate significant capital outlays, which, in turn, may materially affect the earning power of the Company. Certain operations in the exploratory and production phase of oil and gas exploration are potentially hazardous to the environment. Exploratory drilling in natural areas are sources of significant environmental prescription and regulation. Further, if recovery methods are utilized which involve the construction of a plant or similar hardware to implement the recovery system, the environmental impact of such a system must be disclosed in an Environmental Impact Statement; and compliance could adversely affect future operations and revenues. Although we do not have immediate plans to be the operator on any oil and gas drilling operations, others who may drill and operate such properties will face possible environmental regulations, which could affect our liabilities. Should we operate, then we would directly be responsible for environmental and project management, and liability in the event of mishap.

Employees

As of December 31, 2011, we employed four persons, namely the three directors, and one other person, each on a part time basis. Additionally, we retain consultant geologists and other geo-scientists, as well as administrative, accounting and financial support on a contract or fee basis, as and when their services are required.

ITEM 1A. RISK FACTORS

The business operations of the Company are subject to a high level of risks, which may impact adversely on its future performance. These risks may adversely affect the value of our assets and this may affect the value of our common stock.

The following are some of the important factors that could affect our financial performance or could cause actual results to differ materially from estimates contained in our forward-looking statements. The important factors are not exclusive.

Our future performance is difficult to evaluate because we have a limited operating history and do not own a developed oil and natural gas property or have development plans for any oil or natural gas properties.

We began operations in August 2003 and have a limited operating and financial history. As a result, there is little historical financial and operating information available to evaluate our performance or an investment in our common stock.

Potential conflicts of interest may cause us to enter into less favorable agreements than we might have obtained from third parties.

Some of our directors are also directors or executive officers of other oil and natural gas companies, which may from time to time compete with us for farm-ins, working interest partners, or property acquisitions. We also may seek to negotiate farm-in agreements or working interest agreements with companies whose boards of directors include individuals who are directors or executive officers of our company. Under Delaware law, a director that has an interest in a contract or proposed contract or agreement shall disclose his interest in such contract or agreement and shall refrain from voting on any matter in respect of such contract or agreement. Nevertheless, we may enter into agreements with such other companies that are not as favorable as that which we might have obtained from unrelated third parties.

We will require additional equity capital or debt financings in the future, which may not be available, or may only be available on unfavorable terms.

Our future capital requirements depend on many factors, including the prospectivity of our exploration property and our profitability. To the extent that available funds are insufficient to fund operating and capital requirements, we will need to fund our exploration commitments by farmout or sale of interests or by raising additional funds through debt financing or curtail our growth and reduce our exploration activities. Any farmout or sale activity or any equity or debt financing, if available at all, may be on terms that are not favorable to us. In the case of farmout, sale or equity financings, dilution to our stockholders could result, and in any case such securities may have rights, preferences and privileges that are senior to existing shares. If we cannot obtain adequate capital on favorable terms or at all, our business, operating results and financial condition could be adversely affected.

Our proposed spin-off of Alpha seeks to partially address the issue of funding, particularly in relation to WA-342-P, the permit in respect of which our primary work commitment exists, by making investment by Australian investors more attractive in that they will, on completion of the spin-off, be able to invest in Australia in an Australian incorporated and managed company which is quoted on an Australian stock exchange and which has Australian based assets and no unnecessary legal and regulatory with USA.

Estimates of future cash flows may prove to be inaccurate, resulting in a reduction of our working capital.

Estimates of future net cash flows from oil and gas interests we may wish to develop, prepared by independent consultants, will be based upon estimates by independent engineers of oil and natural gas reserves and the percentage of those reserves which can be recovered and produced with current technology. These estimates will include assumptions as to the cost of infrastructure, the amount of oil and natural gas capable of being recovered and prices received for the sale of oil and natural gas. Any one or all of those estimates may be inaccurate, which could materially affect resulting future net cash flows and working capital.

We depend on our executive officers for critical management decisions and industry contacts but have no key person insurance for these individuals.

We are dependent upon the continued services of our executive officers, in particular, our President, Mr.E. Geoffrey Albers. While we do have an employment contract with Mr.E. Geoffrey Albers, we do not carry key person insurance on his life. The loss of the services of any of our executive officers, through incapacity or otherwise, could have a material adverse effect on our business and would require us to seek and retain other qualified personnel.

Exploring for and producing oil and natural gas are high risk activities with many uncertainties that could adversely affect our business, financial condition or results of operations.

Oil and natural gas exploration activities are subject to numerous risks beyond our control, including the risk that drilling will not result in commercially viable oil or natural gas reserves. Our decisions to explore, assess, appraise or develop or otherwise exploit prospects or properties will depend in part on the evaluation of data obtained through geophysical and geological analyses, seismic and other data and engineering studies, the results of which are often inconclusive or subject to varying interpretations. Assessment of prospectivity and reserve estimates depend on many assumptions that may turn out to be inaccurate. Our cost of drilling, completing and operating wells will be uncertain until drilling concludes. Overruns in budgeted expenditures are common risks that can make a particular project uneconomic. Further, many factors may curtail, delay or cancel drilling, including the following:

- delays imposed by or resulting from compliance with regulatory requirements;
- pressure or irregularities in geological formations;
- equipment failures or accidents;
- adverse weather conditions;
- reductions in oil and natural gas prices;
- title problems; and
- limitations in the market for oil and natural gas.

We may incur substantial losses and be subject to substantial liability claims as a result of oil and natural gas exploration activities.

We are not insured against risks. Losses and liabilities arising from uninsured and underinsured events could materially and adversely affect our business, financial condition or results of operations. Our oil and natural gas exploration activities are subject to all of the operating risks associated with exploring for oil and natural gas, including the possibility of:

- highly adverse weather conditions, including cyclones and hurricanes;
- environmental hazards, such as uncontrollable spills or flows of oil, natural gas, brine, well fluids, toxic gas or other pollution into the environment, including groundwater and shoreline contamination;
- abnormally pressured formations;
- mechanical difficulties, such as stuck oilfield drilling and service tools and casing collapse;
- fires and explosions;
- personal injuries and death; and

- natural disasters.

Any of these risks could adversely affect our ability to operate or result in substantial losses to our company. We may elect not to obtain insurance if we believe that the cost of available insurance is excessive relative to the risks presented. In addition, pollution and environmental risks generally are not fully insurable. If a significant accident or other event occurs and is not fully covered by insurance, then it could adversely affect us.

Market conditions or operational impediments may hinder our access to oil and natural gas markets or delay any production.

Market conditions or the unavailability of satisfactory oil and natural gas transportation arrangements may hinder our access to oil and natural gas markets or delay any production. The availability of a ready market for any future oil and natural gas production will depend on a number of factors, including the demand for and supply of oil and natural gas and the proximity of reserves to pipelines and terminal facilities. Our ability to market production (when and if we have production) will depend in substantial part on the availability and capacity of gathering systems, pipelines and processing facilities owned and operated by third parties. Our failure to obtain such services on acceptable terms could materially harm our business. We may be required to shut-in wells for a lack of a market or because of inadequacy or unavailability of natural gas pipeline or gathering system capacity. If that were to occur, then we would be unable to realize revenue from those wells until production arrangements were made to deliver our production to market.

We are subject to complex laws that can affect the cost, manner or feasibility of doing business.

Exploration, production and sale of oil and natural gas are subject to extensive Australian laws and regulations, including both the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Commonwealth of Australia) and also the Environment Protection and Biodiversity Conservation Act (Commonwealth of Australia) and all regulations, directions and guidelines made thereunder. 8

We may be required to make large expenditures to comply with our permit obligations and governmental regulations. Matters subject to such obligations and regulation include:

- permit work program requirements;
- environmental approvals;
- seismic work program approvals
- permits for drilling operations;
- drilling insurance;
- development and production approvals; and
- taxation.

Under these laws, we could be liable for personal injuries, property damage and other damages. Failure to comply with these laws may also result in the suspension or termination of our operations and subject us to administrative, civil and criminal penalties. Moreover, these laws could change in ways that substantially increase our costs of doing business. Any such liabilities, penalties, suspensions, terminations or regulatory changes could materially and adversely affect our financial condition and results of operations.

Our operations may incur substantial liabilities to comply with applicable environmental laws and regulations.

Our oil and natural gas operations are subject to stringent Australian laws and regulations relating to the release or disposal of materials into the environment or otherwise relating to environmental protection, both of the environment and of the living things within that environment. These laws and regulations, which include the Environment Protection and Biodiversity Conservation Act 1999, require the acquisition of approvals before seismic acquisition or drilling commences, restrict the types, quantities, and concentration of substances that can be released into the environment in connection with drilling and production activities, limit or prohibit seismic or drilling activities in protected areas, and impose substantial liabilities for pollution resulting from our operations. Failure to comply with these laws and regulations may result in the assessment of administrative, civil, and criminal penalties, incurrence of investigatory or remedial obligations, or the imposition of injunctive relief. Changes in environmental laws and regulations occur frequently, and any changes that result in more stringent or costly waste handling, storage, transport, disposal or cleanup requirements could require us to make significant expenditures to maintain compliance, and may otherwise have a material adverse effect on our results of operations, competitive position, or financial condition as well. Under these environmental laws and regulations, we could be held strictly liable for the removal or remediation of previously released materials or property contamination regardless of whether we were responsible for the release of such materials or if our operations were standard in the industry at the time they were performed.

Competition in the oil and natural gas industry is intense, which may adversely affect our ability to compete.

We operate in a highly competitive environment for the acquisition and exploration of properties, marketing of oil and natural gas and securing qualified and experienced personnel. Many of our competitors possess and employ financial, technical and personnel resources substantially greater than ours, which can be particularly important in the areas in which we operate.

Those companies often are able to pay more for oil and natural gas properties and prospects and to evaluate, bid for and purchase a greater number of properties and prospects than our financial or personnel resources permit.

Our ability to acquire additional prospects and to find and develop reserves in the future will depend on our ability to evaluate and select suitable properties, to fund exploration and to consummate transactions in a highly competitive environment. There is substantial competition for capital available for investment in the oil and natural gas industry. We may not be able to compete successfully in the future in acquiring prospective resources, carrying out seismic and drilling activities, developing reserves, marketing hydrocarbons, attracting and retaining personnel and raising capital.

We may depend on industry partners and could be seriously harmed if they do not perform satisfactorily, a matter which is usually not within our control.

Because we have few employees, limited resources and revenues, we will continue to be largely dependent on industry partners, including farmin participants and joint venturers, for the success of our oil and gas exploration projects. We could be seriously harmed if our industry partners do not perform satisfactorily on projects that affect us. It is likely that we will have no control over factors that would influence the performance of our partners.

We are controlled by a small number of principal stockholders who may exercise a proportionately larger influence on the company than its stockholders with smaller holdings.

We are controlled by a small number of principal stockholders who may cause events to occur that are not in the interests of the Company's stockholders with smaller holdings. Our President, Mr. E. Geoffrey Albers, and entities controlled by him, own approximately 70% of the outstanding common stock (see Item 12). Accordingly, Mr. Albers has effective control over the election of the Company's directors and significant influence over our management, operations and affairs, including the ability to prevent or cause a change in control of the Company.

Anti-takeover provisions of the certificate of incorporation, bylaws and Delaware law could adversely impact a potential acquisition by third parties that may ultimately be in the financial interests of the company's stockholders.

Our certificate of incorporation, bylaws and the Delaware General Corporation Law contain provisions that may discourage unsolicited takeover proposals. These provisions could have the effect of inhibiting fluctuations in the market price of the Company's shares that could result from actual or potential takeover attempts, preventing changes in its management or limiting the price that investors may be willing to pay for shares of common stock. These provisions, among other things, authorize the board of directors to designate the terms of and to issue new series of preferred stock, to limit the personal liability of directors, and to require the Company to indemnify directors and officers to the fullest extent permitted by applicable law and to impose restrictions on business combinations with some interested parties.

The market price of our common stock is highly volatile.

The market price of our common stock has been and is expected to continue to be highly volatile. Prices for our common stock will be influenced by many factors and may fluctuate widely as a result of factors beyond our control. General factors which will bear on the price of our common stock include the depth and liquidity of the market for the common stock, investor perception of us and our financial and technical ability and general economic and market conditions.

Our common stock is traded over the counter, which may deprive shareholders of the full value of their shares.

Our common stock is quoted via the Over the Counter Bulletin Board (OTC-BB). As such, our common stock may have fewer market makers, lower trading volumes and larger spreads between bid and asked prices than securities listed on an exchange such as the New York Stock Exchange or the NASDAQ Stock Market, Inc. These factors may result in higher price volatility and less market liquidity for the Common Stock.

A low market price may severely limit the potential market for our common stock.

Our common stock is currently trading at a price substantially below \$5.00 per share, subjecting trading in the stock to certain SEC rules requiring additional disclosures by broker-dealers. These rules generally apply to any non-NASDAQ equity security that has a market price of less than \$5.00 per share, subject to certain exceptions (a "penny stock"). Such rules require the delivery, prior to any penny stock transaction, of a disclosure schedule explaining the penny stock market and the risks associated therewith and impose various sales practice requirements on broker-dealers who sell penny stocks to persons other than established customers and institutional or wealthy investors.

For these types of transactions, the broker-dealer must make a special suitability determination for the purchaser and have received the purchaser's written consent to the transaction prior to the sale. The broker-dealer also must disclose the commissions payable to the broker-dealer, current bid and offer quotations for the penny stock and, if the broker-dealer is the sole market maker, the broker-dealer must disclose this fact and the broker-dealer's presumed control over the market. Such information must be provided to the customer orally or in writing before or with the written confirmation of trade sent to the customer. Monthly statements must be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks. The additional burdens imposed upon broker-dealers by such requirements could discourage broker-dealers from effecting transactions in our common stock.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

We share the use of premises in Australia at Level 21, 500 Collins Street, Melbourne, Victoria, Australia from which our Australian subsidiaries carry on business. The Australian office space is taken on a non-exclusive basis, with no rent payable, but the usage of the premises is included in the charges that Octanex NL, (which replaced Setright Oil & Gas Pty Ltd in this role in the last quarter) (an affiliate of the Company by virtue of common management, ownership and control) makes in respect to the administration of the Company.

During the past year we have held interests in Petroleum Exploration Permits granted by the Commonwealth of Australia. They are each held in joint venture with other parties. Some of these permits have now been cancelled, surrendered or have expired.

EXPLORATION AND APPRAISAL ACTIVITIES

VULCAN SUB-BASIN INTERESTS, TERRITORY OF ASHMORE AND CARTIER ISLANDS, AUSTRALIA (AC/P35 and AC/P39)

Vulcan Joint Venture (AC/P35)

AC/P35 (granted October 18, 2005) comprised 46 graticular blocks, totalling approximately 3,410 km² (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. During the first three years of the initial 6-year term of the AC/P35 permit, we obtained a range of pertinent existing reports and open file seismic data. We also acquired the purchased the right to the reprocessed Onnia 3D seismic data-set of some 1,750 km² within AC/P35.

The Fairfax 2D seismic was completed in 2009, with approximately 275 kms of new high quality 2D acquired, utilizing Bergen Offshore's BOS Atlantic vessel. The joint venture co-processed the new acquisition with some of the pre-existing seismic lines which were already held over the Fairfax feature.

The joint venture continued to assess the prospectivity of the Fairfax feature and of the AC/P35 permit generally but the work program was not continued and the permit was cancelled, effective July 1, 2011. As a result the affairs of the Vulcan Joint Venture are being wound down.

The participants in the Vulcan Joint Venture were:

| | |
|--|-------|
| Auralandia NL (Operator) | 30.0% |
| Natural Gas Corporation Pty Ltd | 30.0% |
| Petrocorp Australia Pty Ltd (subsidiary of National Gas Australia Pty Ltd) | 25.0% |
| Vulcan Australia Pty Ltd (subsidiary of Australian Oil & Gas Corporation) | 15.0% |

Nome Joint Venture (AC/P39)

AC/P39 (granted April 7, 2006) is located 600 km west of Darwin. It comprises 11 graticular blocks, totaling approximately 920 km² (227,337 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 have obtained a range of existing reports and open file seismic data and purchased 920 km² of reprocessed Onnia 3D seismic data. Geological evaluation of the permit has included the interpretation of reprocessed Onnia 3D seismic. We established a portfolio of leads within AC/P39. However, we have been reliant upon farming-out in order to drill any well in AC/P39. As we have been unable to secure a farminee, the permit is being surrendered.

The participants in the Nome Joint Venture are:

| | |
|--|-------|
| Auralandia NL (Cartier Petroleum Pty Ltd) (Operator) | 30.0% |
| Payzone Petroleum (subsidiary of Natural Resources Group Pty Ltd) | 30.0% |
| Petrocorp Australia Pty Ltd (subsidiary of National Gas Australia Pty Ltd) | 25.0% |
| Vulcan Australia Pty Ltd (subsidiary of Australian Oil & Gas Corporation) | 15.0% |

BROWSE BASIN INTERESTS, OFFSHORE FROM WESTERN AUSTRALIA WA-333-P and WA-342-P

Braveheart Joint Venture - WA-333-P

In late 2009 and early 2010 the Braveheart prospect was drilled by the Songa Venus semi-submersible rig from a location within WA-333-P. The well failed to encounter hydrocarbons and was plugged and abandoned.

While there was some evidence of minor residual hydrocarbons at the top of the reservoir interval, most of the cleaner sands were water filled.

The company, through its subsidiary, contributed \$2,326,939 to the drilling of the Braveheart-1 well.

Since drilling the well the Braveheart Joint Venture considered whether to lodge an application for renewal of the permit for a second term. However, the perceived lack of remaining prospectivity within the permit meant a further commitment of resources to a work programme for a renewal application was not justified. The permit was allowed to expire on March 31, 2011. As a result the affairs of the Braveheart Joint Venture are being wound down.

The permit was held by the Braveheart Joint Venture, consisting of the following parties:

| | |
|--|----------|
| Moby Oil & Gas Limited | 26.4375% |
| Braveheart Resources Pty Ltd (subsidiary of Exoil Limited) | 25.3750% |
| Browse Petroleum Pty Ltd (subsidiary of Gascorp Australia Pty Ltd) | 20.1875% |
| Braveheart Oil & Gas Pty Ltd (subsidiary of Australian Oil & Gas Corporation) | 14.5000% |
| Braveheart Energy Pty Ltd (subsidiary of Octanex NL) | 7.2500% |
| Braveheart Petroleum Pty Ltd (subsidiary of Natural Resources Group Pty Ltd) | 6.2500% |

Cornea Joint Venture – WA-342-P

The Cornea Joint Venture comprises the interests held in WA-342-P.

The joint venture has carried out extensive studies as to prospectivity of the known Cornea gas/oil accumulation. The challenges at Cornea include a low permeability reservoir with difficult to model production characteristics and the long, narrow shape of the field.

This permit is presently held by the Cornea Joint Venture consisting of the following parties.

| | |
|--|---------|
| Coldron Pty Ltd (subsidiary of Gascorp Australia Pty Ltd) | 29.100% |
| Moby Oil & Gas Limited | 22.375% |
| Octanex Group | 18.750% |
| Cornea Petroleum Pty Ltd (subsidiary of Natural Resources Group Pty Ltd) | 14.875% |
| Cornea Oil & Gas Pty Ltd (subsidiary of Australian Oil & Gas Corporation) | 8.500% |
| Auralandia N.L. | 6.400% |

The Operator of the Cornea Joint Venture is Exoil's wholly-owned subsidiary, Hawkestone Oil Pty Ltd ("Hawkestone").

Our wholly owned subsidiary, Cornea Oil & Gas Pty Ltd ("Cornea Oil"), signed a farmout agreement with Coldron Pty Ltd ("Coldron") on June 26, 2011. Prior to the farmout, Cornea owned 17%. Following the farmout Cornea Oil will hold an 8.5% participant interest in the permit. Coldron earned the 8.5% interest by reimbursing Cornea Oil an amount of AUD \$1,591,480 (USD \$1,526,600) on account of the documented total costs incurred by Cornea Oil directly relating to the exploration of the permit and by agreeing to meet and pay 50% of Cornea Oil's remaining 8.5% participating interest proportion of the cost of operations carried out in accordance with the Cornea Joint Venture Operation Agreement until such time as Coldron has expended an amount AUD\$1,000,000 (USD\$931,185) on behalf of Cornea Oil with respect to the remaining 8.5% participating interest owned by Cornea Oil.

On January 4, 2011, the Joint Venture was granted a renewal of the WA-342-P permit for a 5 year term. The committed work programme in the first three years of the renewed term calls for studies and an exploration well; followed by reprocessing of 3D seismic and further studies in the last two years of the term.

Studies continue, as do discussions with potential farminees.

BONAPARTE BASIN INTERESTS, OFFSHORE FROM THE NORTHERN TERRITORY OF AUSTRALIA – NT/P62, NT/P65, NT/P71 and NT/P72

NT/P71 and NT/P72 Joint Venture

Low key evaluation of these permits continued through the first half of the year but in July 2011 application was made to surrender both permits, the effective date of surrender being August 7, 2011. As a result the affairs of the NT/P71 and NT/P72 Joint Venture are being wound down.

The participants in the National Gas Consortium were:

| | |
|---|-------|
| National Oil & Gas Pty Ltd (Operator) | 24.5% |
| Australian Natural Gas Pty Ltd | 24.5% |
| National Gas Australia Pty Ltd | 30.0% |
| Nations Natural Gas Pty Ltd (AOGC subsidiary) | 21.0% |

Sunshine Joint Venture and Mimosa Joint Venture – NT/P62 and NT/P65

NT/P62 expired on June 19, 2011, with all work commitments met. No application to renew the permit was made by the joint venture due to a lack of prospectivity.

On September 9, 2011 a renewal offer from the designated authority for NT/P65 was not accepted by the joint venture. The renewal offer included an exploration well in Year 3 of the primary term of the permit. The joint venture was unwilling to commit to a well in the permit in the face of the evident political and geological uncertainties within that area.

As a result the affairs of the Sunshine and Mimosa Joint Ventures are being wound down.

The interests in each of NT/P62 and NT/P65 were:

| | |
|---|----------|
| Gascorp Australia Pty Ltd | 12.500% |
| National Oil & Gas Pty Ltd (Operator) | 21.4375% |
| Australian Natural Gas Pty Ltd | 21.4375% |
| National Gas Australia Pty Ltd | 26.2500% |
| Nations Natural Gas Pty Ltd (AOGC subsidiary) | 18.3750% |

Stillwater Joint Venture - NT/P73

On March 27, 2007, the Australian Government granted our subsidiary, Alpha, a petroleum exploration permit, NT/P73, for an initial 6-year term. NT/P73 covers an area of 6,815 km² (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 have obtained existing reports and open file seismic data and mapped, interpreted and revised analyses and concepts for the area. We have elected 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.

Our work to date has focused on the Stillwater feature of the NW corner of NT/P73. We reached agreement with ConocoPhillips with respect to our right to approximately 200 kms² of 3D data acquired by ConocoPhillips in the NW

corner of our NT/P73, most of which covers the Stillwater feature, which sits en echelon with the Caldita gas discovery, located in the adjacent permit held by ConocoPhillips and Santos. This data has met our permit work obligation.

The interests in NT/P73 are:

| | |
|--|---------|
| Gascorp Australia Pty Ltd | 35.000% |
| Alpha Oil & Natural Gas Pty Ltd (Operator) | 65.000% |

The permit is in year-5, with year-6 commencing on March 27, 2012.

Stirling Joint Venture - WA-422-P

Permit WA-422-P was granted by the Delegate of the Designated Authority for and on behalf of the Commonwealth – Western Australia Offshore Petroleum Joint Authority on November 13, 2008 for a period of six years. The original grantee and then sole participant in the WA-422-P permit was National Oil Corporation Pty Ltd.

Permit WA-422-P comprises 66 graticular blocks (approximately 4,605 km²) in the Southern Bonaparte Basin, offshore Western Australia.

Goldsborough Energy Pty Ltd, UltraGas Pty Ltd and UltraGas Resources Pty Ltd entered into a farmin agreement with National Oil Corporation Pty Ltd under which Goldsborough Energy Pty Ltd agreed to acquire a 60% interest in the WA-422-P permit and under which UltraGas Pty Ltd acquired a 9.375% interest and UltraGas Resources Pty Ltd acquired a 3.125% interest. The application for these transfers of interest has been submitted for to approval of the Designated Authority.

Recently the 331 kms² Rissa 3D seismic has been acquired.

On March 1, 2012, Nations Natural Gas Pty Ltd entered into a farmin to acquire a 5% interest from National Oil Corporation Pty Ltd by covenanting to meet the next US\$200,000 of the cost of the Program otherwise due by National Oil Corporation Pty Ltd in respect to a 10% interest in the Permit.

The Participants in the WA-422-P permit are:

| | |
|--|---------|
| Goldsborough Energy Pty Ltd (Operator) | 60.000% |
| National Oil Corporation Pty Ltd | 22.500% |
| National Gas Australia Pty Ltd | 5.000% |
| UltraGas Pty Ltd | 9.375% |
| UltraGas Resources Pty Ltd | 3.125% |

ITEM 3. LEGAL PROCEEDINGS

None

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS.

The Company's principal shareholders, holding sufficient shares to conduct business in lieu of an annual meeting, elected to do so on 23 March 2012. The only matters voted were in respect of the ratification of all past directorate appointments and the election of three (3) directors for the ensuing year or until the next annual meeting, whichever first occurs.

There were an aggregate of 49,450,531 shares in the Company outstanding and entitled to vote at such date, of which 37,111,782 shares (representing 75.5% of the shares outstanding and entitled to vote), were represented in person or by authorised representative. The following persons were elected as directors:

Votes for

| | |
|------------------------|------------|
| Ernest Geoffrey Albers | 37,111,782 |
| Graeme Alan Menzies | 37,111,782 |
| William Ray Hill | 37,111,782 |

All past directorate appointments were ratified.

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASERS OF EQUITY SECURITIES

Market Information

Our common stock is not traded on an exchange but is quoted on the OTC Bulletin Board under the trading symbol "AOGC.OB". The prices set forth below reflect the quarterly high and low bid prices for shares of common stock for the past two years. These quotations reflect inter-dealer prices, without retail markup, markdown or commission, and may not represent actual transactions.

| Period | High Sale or Bid | Low Sale or Bid |
|------------------|---------------------|--------------------|
| 1st Quarter 2010 | \$ 0.08 | \$ 0.04 |
| 2nd Quarter 2010 | \$ 0.08 | \$ 0.06 |
| 3rd Quarter 2010 | \$ 0.07 | \$ 0.06 |
| 4th Quarter 2010 | \$ 0.09 | \$ 0.06 |
| 1st Quarter 2011 | \$ 0.21 | \$ 0.06 |
| 2nd Quarter 2011 | \$ 0.16 | \$ 0.07 |
| 3rd Quarter 2011 | \$ 0.08 | \$ 0.04 |
| 4th Quarter 2011 | \$ 0.07 | \$ 0.05 |

As at December 31, 2011, there were 4 market makers in our common stock.

As at December 31, 2011, there were approximately 212 holders of record of our common stock.

The Company has not paid any cash dividends on its common stock and does not anticipate paying cash dividends in the foreseeable future. We intend to retain any earnings to finance the growth of the business. There can be no assurance that we will ever pay cash dividends.

Recent Sales of Unregistered Securities

During the past two years, without registering the securities under the Securities Act of 1933, the Company has issued following securities:

On December 13, 2010, 2,000,000 shares of common stock were issued to Mr EG Albers under the terms of his employment contract pursuant to Section 4(2) of the Securities Act, filed as an exhibit to the 2010 Form 10-K.

On December 23, 2011, 1,800,000 shares of common stock were issued to Mr EG Albers under the terms of his employment contract pursuant to Section 4(2) of the Securities Act.

Share Repurchase Program

The Company does not maintain any stock repurchase program involving purchases of the Company's common stock by or on behalf of the Company that would require disclosure under Item 703 of the Regulation S-B.

ITEM 6. SELECTED FINANCIAL DATA

The information set forth below is only a summary, is not necessarily indicative of results of future operations and should be read in conjunction with Item 7 "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Consolidated Financial Statements and Notes to Consolidated Financial Statements.

We derived our historical information from our audited financial statements as of December 31, 2007, 2008, 2009 and 2010. The historical results included below and elsewhere in this document are not indicative of our future performance.

| | Years Ended December 31, | | | | |
|--|--------------------------|--------|--------|-------|--------|
| | 2007 | 2008 | 2009 | 2010 | 2011 |
| Operating revenues | - | - | - | - | - |
| Interest expense | 29 | 17 | 8 | 27 | 24 |
| Net income (loss) | (815) | (389) | (491) | 1,292 | (328) |
| Net income (loss) per share (1) - basic | (0.05) | (0.01) | (0.01) | 0.03 | (0.01) |
| Net income (loss) per share (1) - dilutive | (0.02) | (0.01) | (0.01) | 0.03 | (0.01) |
| Total assets | 484 | 9 | 2,974 | 3,092 | 1,561 |
| Long-term debt | 305 | - | 206 | 2,187 | 781 |

(1) Basic and fully diluted loss per share is based on the weighted average number of shares of our common stock outstanding during each year: 36,467,152 in 2007, 40,052,317 in 2008, 44,281,575 in 2009, 46,406,026 Basic and 48,888,434 Dilutive in 2010 and 49,005,501 in 2011. NOTE: Basic and diluted earnings per share are the same in loss years.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.

General

Australian Oil & Gas Corporation is an independent energy company focused on exploration and development of oil and natural gas reserves. Our core business is directed at the acquisition of interests in oil and gas prospects in the off-shore areas in Australia's territorial waters. Since August 2003, when current management began operating the company, we have not conducted any substantive revenue generating business operations. Management has identified opportunities in oil and gas exploration in Australia, has acquired permits authorizing the exploration for petroleum, has carried out geological and geophysical programs, including the acquisition of seismic data. It has not yet made any decision as to the company's future operations other than as disclosed elsewhere herein.

We rely on the considerable experience in the oil and gas industry of our President, Mr.E.G.Albers, and our consultants to identify and conduct initial geological analyses of properties in which we acquire an interest. We have devoted essentially all of our resources to the identification and acquisition of large - tract oil and gas properties and seek to keep our overhead at a minimum level through the retention of carefully selected consultants, contractors and service companies. We use proven modern technologies to evaluate properties and prospects. Generally, we expect to invest in projects at different percentage levels of participation, with our intention being to spread risk and to reduce the Company's financial commitments through either farmout or sale.

To date, together with certain other affiliated joint venturers, the Australian authorities have awarded us interests in 2 Petroleum Exploration Permits.

Liquidity and Capital Resources

The following table reflects our working capital position at December 31, 2010 and 2011:

| | 2010 | 2011 |
|---------------------|---------|----------|
| Current assets | \$ 42 | \$ 33 |
| Current liabilities | \$ 123 | \$ 161 |
| Working capital | \$ (81) | \$ (128) |
| Current ratio | 0.341 | 0.205 |

In order to fund on-going administration and the cost of acquisition of interests, the Company has previously largely relied on infusions of cash through the advances of Great Missenden Holdings Pty Ltd, an affiliated company associated with our President, Mr.E.Geoffrey Albers. To date, we have also relied upon farmins from National Gas Australia Pty Ltd and Gascorp Australia Pty Ltd (both affiliated companies associated with Mr Albers) by way of farmout to fund a significant proportion of our preliminary seismic and associated obligations.

Subject to completion of the proposed spin-off of Alpha as discussed below, when we require further funds in relation to our then on-going operations, it is our 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, the interest of industry in co-participation in our programs, stock market and oil and gas market conditions. When additional funds for exploration are required, our strategy to meet our obligations by either partial sale of our interests or farm out, the latter course of action being a vital part of managements overall strategy. We would also look to further issues of stock or the promotion of new companies formed for the purpose of funding exploration within our permit interests. Should funds be required for appraisal or development purposes we would, in addition, look to project loan finance.

On the assumption that the proposed spin-off is successfully concluded, our cash requirements for the next 12 months to support the operations are currently assessed to be approximately \$100,000. This figure includes office administration of \$75,000, and payments of approximately \$25,000 for future exploration. In this context the bulk of exploration costs in the next 12 month period relating to WA-422-P are likely to be met by Goldsborough Energy Pty Ltd under the terms of its farmin to earn 60% of the permit. In relation to WA-342-P and NT/P73, the exploration costs associated with those permits will be met by Alpha if the spin-off is completed. The Company has sufficient liquid capital to support its operations during the next twelve months.

In addition, if the Company is to maintain its present tenement interests then it will have to make future binding commitments to carry out specified work programs in order to meet permit terms. We may also elect to carry out exploration over and above our minimum permit commitments or enter into new projects with expenditure obligations.

Expenditure commitments include obligations arising from the minimum work obligations for the initial 3 year period of exploration permits and thereafter commitments made annually. Minimum work obligations, may, subject to negotiation and approval, be varied or suspended or extended. They may also be satisfied by farmout, sale, relinquishment or surrender of a permit.

However, if the Company requires further funds, the Company can seek the farmout or sale of permit interests, or the sponsorship of new companies for this purpose, or through the sale of additional shares of our common stock.

Proposed Spin-off of Alpha Natural Resources Pty Ltd

We have owned 100% of Alpha since early 2006.

We have been under the effective control of our current major shareholders (Mr Albers and his Affiliates) since inception in 2003.

Our management and control and Alpha's management and control are focused in Melbourne Australia and our assets are all Australian assets.

Apart from being a subsidiary of AOGC, Alpha has no commercial, legal or other connection with the US. In particular, Alpha does not carry on business in the US and has never carried on business in the US.

Neither we, nor Alpha have, since our inception as AOGC in 2003, raised funds in the US in any manner. The sole funding we and Alpha have had has come from subscription for shares by Mr Albers and his Affiliates, from loans from Mr Albers and his Affiliates and from proceeds of sale or farm out by our Australian subsidiaries of interests in Petroleum Exploration Permits issued or granted by Australian Federal Authorities under Australian Petroleum Legislation.

The spin-off is to be implemented without registration under the Securities Act of 1933 ("Securities Act") and without Alpha registering under the Exchange Act. While section 5 of the Securities Act generally requires a registration statement to be filed with the Securities Exchange Commission ("SEC") for a spin-off, we understand from Staff Legal Bulletin No.4 (CF) dated September 16, 2007 ("the Bulletin") that when a spin-off is carried out, the subsidiary being spun-off does not have to register the spin-off, if five conditions are met.

These conditions are:

1. the parent company shareholders do not provide consideration for the securities they receive in the spin-off.
2. the spin-off is made on a pro rata basis to the shareholders in the parent company.
3. the parent company provides adequate information about the spin-off and the subsidiary to both its shareholders and to the trading markets;
4. the parent has a valid business purpose for the spin-off.
5. if the parent spins-off "restricted securities", it has held those securities for at least two years.

The proposed spin-off satisfies these conditions. Addressing the above issues:

1. Provision of consideration by parent company shareholders for the securities they receive in the spin-off.

The spin-off is for no consideration.

Our stockholders, will not pay for the Alpha shares to be spun off and will be surrendering or exchanging any shares in the Company in return for shares in Alpha.

There is no transaction which falls within the definition of “sale” or “sell” in section 2(a)(3) of the Securities Act and there is no disposition to any AOGC stockholder of any security or interest in a security for value.

There are no liabilities attaching to Alpha Shares being distributed to our stockholders. All Alpha Shares being distributed are “fully paid” and, under Australian law, no liability attaches to fully paid shares or to the holders thereof, whether as a “contributory” in a winding up (or dissolution) or otherwise.

2. Pro rata nature of spin-off

The spin-off is being made on a pro rata basis with each AOGC stockholder receiving one Alpha share for every two ordinary shares of common stock held on the record date to determine entitlements to the distribution. Where your holding of AOGC shares is not exactly divisible by two, the fractional entitlement will be rounded up. Because the spin-off is pro rata you will each have a direct pro rata ownership of Alpha that is equal to your present indirect pro rata ownership of Alpha. There is no value shift occurring as a result of the spin-off.

3. Provision of adequate information about the spin-off and the subsidiary to shareholders and to trading markets

Shareholders

In terms of provision of information to its our stockholders we will forward to you an Information Statement prepared in accordance with the requirements of section 14(c) of the Exchange Act. As part of our requirement to fully inform you, that Information Statement will contain detailed information describing the differences between your rights as our shareholders under our Certificate of Incorporation and By-laws and, generally, under Delaware law and the rights you will have under Alpha’s constituent documents and under Australian law.

Trading Markets

Insofar as trading markets are concerned, the only trading market for Alpha Shares will be on stock market conducted by the NSX in Australia. Alpha will not maintain a share register in the US, but will maintain a share register in Melbourne, Australia with Computershare, the Company’s existing share registrar.

The market for any Alpha Shares you may wish to sell will be investors in the Australian market: not the US market.

It is a condition precedent to the completion of the spin-off and to the distribution of Alpha shares on the “Distribution Date” that Alpha has been approved for admission to the Official List of NSX and Holding Statements (analogous to share certificates for present purposes) will not be despatched to you until that condition precedent has been satisfied.

Relevant to you is that the constituent documents of Alpha contain restrictions on the sale of Alpha shares to US Persons or in the US other than as permitted under an exemption in the Securities Act.

The restriction in Rule 5.2(b) of Alpha's constitution provides:

- (b) The directors shall decline to register an instrument of transfer received under rule 5.1(d) where the transferee is known to be a US Person:
- (1) if the transaction comprising the transfer of the shares is a transaction which the directors believe may either be prohibited under section 5 of the US Securities Act, or if generally so prohibited, does not fall within an exemption to that prohibition on sale of unregistered securities provided either:
 - (A) under section 4 of the US Securities Act; or,
 - (B) under any other provision of the US Securities Act or any rules made thereunder; or
 - (2) unless the securities become registered under the U.S. Securities Act.

4. The parent must have a "valid business purpose" for the spin-off.

We have a valid business purpose for the spin-off. There has been minimal capacity on our management's part to function effectively in the US and minimal capacity to raise funds in either the US or Australia other than from private sources associated with Mr. Albers. Alpha's Australian based management, with in-house Australian legal expertise and greater knowledge of the Australian regulatory regime, can operate more efficiently in Australia and at lower cost than it can in the US.

Non-US based assets and non-US based management create difficulties for a company of our or Alpha's size and structure in attempting to participate in US securities markets to raise capital on any terms. Our difficulties, under Australian management and with only Australian assets (in our Australian subsidiaries), in implementing any US public offering or capital raising contrast unfavorably with the comparative ease with which it is hoped Alpha will be able to achieve capital raisings in Australia; when it is listed on an Australian stock exchange.

Australian investors are more familiar with Australian legal requirements and more likely to invest in Alpha, as an Australian incorporated entity listed on an Australian stock exchange, than they are likely to invest in us, incorporated in Delaware, subject to US laws and not listed on a stock exchange but only quoted on the OTCBB.

As AOGC is a Delaware incorporated company, quoted only on the OTCBB without any active market for its securities, investment in AOGC by Australian resident investors is inherently unattractive to them. Consequently, raising capital from Australian investors is also inherently difficult for this reason, as well as the complexity and cost of complying with US laws.

The spin-off will achieve, for Alpha and for shareholders, a significant business result not otherwise achievable. The spin-off effectively aligns the location of Alpha's management, its assets and the markets on which it may potentially raise new funds. This alignment more readily enables Alpha to access funding and develop and expand its business activities. The Australian investing public do not have to assess the merits or otherwise of investment in a Delaware corporation to access an interest in Alpha's assets.

The spin-off creates a situation where the possible value of Alpha's oil and gas permits may be protected by enabling greater access to funding to meet permit work commitments including the possible drilling of a well in the third year of the present renewed term of permit WA-342-P.

Additionally, the value of the Alpha Shares acquired by AOGC shareholders in the spin-off, may be enhanced because of increased exposure to the market and because Alpha may be able to raise equity funding where AOGC would not be able to do so.

In summary the spin-off:

- will facilitate more ready access by Alpha to equity finance by allowing the Australian financial and investing communities to focus on a legal structure which they will find more attractive and with which they will be more familiar.
- recognizes that Alpha's present business and operations and senior management have no connection with the US and that this is recognized by taking the legal structure, under which Alpha owns non-US based assets, outside the regulatory framework of the US.
- takes future capital raisings to fund Alpha's operations out of the US regulatory framework, save in the unlikely event that Alpha may seek to raise funds in the US in the future, in which case Alpha would need to comply with US Regulatory requirements in like manner as any other company raising capital in the US.
- recognizes that it will be extremely difficult for Alpha to raise funds in US equity markets given:
 - its size;
 - the fact that its assets are all situate outside the US;
 - it has a limited range of assets;
 - its assets are speculative in nature; and
 - its management is situate outside the US.

These objectives are a valid business purpose and they cannot be achieved in any other acceptable manner other than by the spin-off.

5. Requirement that "restricted securities" must have been held for at least two years.

Any requirement that the spin-off entity be held for two years is satisfied as AOGC has owned Alpha since 2006 and the business carried on by Alpha since that time has, at all times, been the same business.

Contractual Obligations and Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, as defined by Item 303 of Regulation S-K under the Securities Act.

Critical Accounting Policies

Management has identified the accounting policies described below as critical to our business operations and the understanding of the results of operations. The impact and any associated risks related to these policies on our business operations are discussed throughout this section where such policies affect our reported and expected financial results. The preparation of this Annual Report requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, revenues and expenses of the Company during the reporting period and contingent assets and liabilities as of the date of our financial statements. There can be no assurance that the actual results will not differ from those estimates.

Undeveloped oil and gas properties:

We utilize the “successful efforts” method of accounting for undeveloped mineral interests and oil and gas properties. Costs of carrying and retaining undeveloped properties are to be charged to expense when incurred. Capitalized costs are to be charged to operations at the time the Company determines that no economic reserves exist. Proceeds from the sale of undeveloped properties are to be treated as a recovery of cost. Proceeds in excess of the capitalized cost realized from the sale of any such properties, if any, are to be recognized as gain to the extent of the excess.

Recent Accounting Pronouncements

None.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

See Item 15 (a) for an index to the Consolidated Financial Statements and supplementary financial information, which are attached hereto and incorporated by reference herein.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES

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 December 31, 2011. 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 are 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 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 Controls

Since the date of the evaluation described above, there were no significant changes in our internal control or in other factors that could significantly affect these controls, and there were no corrective actions with regard to significant deficiencies and material weaknesses.

Management's Report on Internal Control over Financial Reporting

The management of Australian Oil and Gas Corporation ("the Company") is responsible for (1) the preparation of the accompanying financial statements; (2) establishing and maintaining internal controls over financial reporting; and (3) the assessment of the effectiveness of internal control over financial reporting. The Securities and Exchange Commission defines effective internal control over financial reporting as a process designed under the supervision of the company's principal executive officer and principal financial officer, and implemented in conjunction with

management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with generally accepted accounting principles.

All internal control systems, no matter how well designed, have inherent limitations and provide only reasonable assurance that the objectives of the control system are met. Therefore, no evaluation of controls can provide absolute assurance that all control issues and misstatements due to error or fraud, if any, within the company have been detected. Additionally, any system of controls is subject to risk that controls may become inadequate due to changes in conditions or that compliance with policies or procedures may deteriorate. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because changes in conditions or that compliance with the policies or procedures may deteriorate.

As of December 31, 2011, management of the Company conducted an assessment of the effectiveness of the company's internal control over financial reporting based on criteria established in the framework in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. From this assessment, management has concluded that the company's internal control over financial reporting was effective as of December 31, 2011.

This Annual Report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

/s/ E. Geoffrey Albers
E. Geoffrey Albers,
Chief Executive Officer and
Chief Financial Officer
(Principal Executive and Financial Officer)

ITEM 9B OTHER INFORMATION.

Not applicable

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

Set forth below are the names of each of the executive officers of the Registrant and the position held:

| Name | Age | Position |
|------------------------|-----|---|
| Ernest Geoffrey Albers | 67 | President, Treasurer and Director |
| William Ray Hill | 61 | Director, Vice President |
| Graeme Alan Menzies | 64 | Director, Vice President – Appointed January 13, 2012 |
| Mark Anthony Muzzin | 49 | Director, Vice President – Resigned January 13, 2012 |

Ernest Geoffrey Albers has been our President and Treasurer and a director since August 2003. Mr. Albers is a company director with over 30 years experience as a lawyer and administrator in Australian corporate law, petroleum exploration and resource sector investment. During this period Mr Albers has sponsored the formation of companies that have made the original Maari (Moki) oilfield discovery and development in New Zealand, the Yolla Gas/Condensate discovery in Bass Strait, the Evans Shoal gasfield discovery/ appraisal in the Timor Sea, the Oyong and Wortel gas/oil discoveries in Indonesia and the SE Gobe oilfield development in Papua New Guinea. He is a director of Australian publicly listed companies; Octanex N.L., Moby Oil & Gas Limited and Exoil Limited. He is a member of the Petroleum Exploration Society of Australia and a Fellow of the Institute of Directors in Australia.

W. Ray Hill has been a director of the Company since August 2003. Mr. Hill is President and Director of The Zonia Company, an Arizona real estate development company. Mr. Hill is the founder and President of Geowest Corporation, which is involved in the development and operation of a solid waste construction and demolition landfill. In 1988 Mr. Hill founded Citizens Recycle & Collection, a solid waste hauling and Transfer Company, which was acquired by Waste Management, Inc. in 1996.

Graeme Menzies as a Director of the Company. Mr Menzies is a solicitor practising in Victoria, Australia in the area of commercial and company law. He graduated from Melbourne University in 1971 and qualified a Master of Laws degree in 1975. He was admitted to practice in 1972. Since 1987 he has carried on practice as a sole practitioner under the name of Menzies & Partners. His legal practice has covered a wide range of activities including takeovers, litigation in respect thereof, numerous capital raisings and corporate reconstructions. He is expected to assist the Company in these same areas of his expertise. He has been involved in the listing or relisting of a large number of Australian public companies both industrial and mining. Mr Menzies is a director of each of Moby Oil & Gas Limited and Octanex NL, both listed on the Australian Stock Exchange. He has previously been a director of a number of other listed companies.

Mark A Muzzin was appointed a director of the Company on November 16, 2005 and resigned January 13, 2012.

Board/Committee Matters

The Company does not currently maintain separate standing committees, including an Audit, Nominating or Compensation Committee, of the Board of Directors, because of the small size of the Board and of the Company. As a result, the entire Board of Directors acts as these Committees for the purpose of overseeing these functions, including the Company's accounting and financial reporting processes, and the audits of the financial statements by our independent registered public accounting firm.

Board Attendance

The Board of Directors met five times during the year ended December 31, 2011. During 2011, each of the directors attended at least 100% of the total number of meetings of the Board of Directors. It is the Company's policy that, absent unusual or unforeseen circumstances, all of the directors are expected to attend annual meetings of stockholders.

Audit Committee Financial Expert

We do not have an audit committee financial expert serving on our Board of Directors because no current member of the Board has the requisite experience and education to qualify as an audit committee financial expert as defined in Item 401 of Regulation S-B and because we are a start up oil and gas exploration company with limited revenues to date. However, in the future, the current members of the Board intend to consider such qualifications in making future nominations of persons to join our Board of Directors.

Report of the Board, Acting as the Audit Committee

The Board of Directors, acting as the Audit Committee, has prepared the following report for inclusion in this Annual Report. The Board has the responsibility for reviewing the Company's accounting practices, internal accounting controls and financial results and is responsible for the engagement of the Company's independent auditors. The Board met five times in 2011 and has reviewed and discussed the audited financial statements with the Company's management.

The Board has discussed with the independent auditors the matters required to be discussed by SAS 114 (Codification of Statements on Auditing Standards, AU Section 380), as may be modified or supplemented.

The Board has received the letter from the independent auditors required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as may be modified or supplemented

Based on the review and discussions referred to in the foregoing three paragraphs, the Board of Directors determined that the audited financial statements be included in the Company's Annual Report on Form 10-K for the year ended December 31, 2011 for filing with the Securities and Exchange Commission.

E. Geoffrey Albers
Graeme A. Menzies
W. Ray Hill

Dated: March 28, 2012

THIS REPORT SHALL NOT BE DEEMED INCORPORATED BY REFERENCE INTO ANY FILING UNDER THE SECURITIES ACT OF 1933 OR THE SECURITIES EXCHANGE ACT OF 1934, EXCEPT TO THE EXTENT THAT THE COMPANY SPECIFICALLY INCORPORATES IT BY REFERENCE, AND SHALL NOT OTHERWISE BE DEEMED TO BE FILED UNDER SUCH ACTS.

Code of Ethics

The Board of Directors on March 28, 2007, adopted a code of ethics for the Company's principal executive, financial and accounting officers. (See Exhibit 14 to the 2006 10K).

The Code has created written standards that require accountability for adherence to the code and have been designed to deter wrongdoing and to promote honest and ethical conduct, including the ethical handling of actual or apparent conflicts of interest between personal and professional relationships. The code requires full, fair, accurate, timely, and understandable disclosure in reports and documents that the Company files with, or submits to, the Commission and in other public communications. The code includes requirements for compliance with applicable governmental laws, rules and regulations and the prompt internal reporting of violations of the code to an appropriate person or persons identified in the code.

The Company will provide to any person without charge, upon request, a copy of such code of ethics. The Code is available by written request to the Company at its address Level 21, 500 Collins Street, Melbourne, Victoria, Australia or by email to admin@ausoil.com.

Section 16(A) Beneficial Ownership Reporting Compliance

Section 16(a) of the Securities Act of 1934 requires our officers and directors, and greater than 10% stockholders, to file reports of ownership and changes in ownership of our securities with the Securities and Exchange Commission. Copies of the reports are required by SEC regulation to be furnished to us.

Based solely upon a review of Forms 3 and 4 furnished to the Company, the Company is not aware of any director, officer, or beneficial owner of more than ten percent of the Common Stock of the Company, who failed to file, on a timely basis, reports required by Section 16(a) of the Securities Exchange Act of 1934.

ITEM 11. EXECUTIVE COMPENSATION

Compensation awarded to, earned by, or paid to our sole executive officer whose compensation exceeded \$100,000.

Summary Compensation Table for 2011

| Name and Principal Position | Year | Salary (\$) | Stock Awards (\$) * | Total (\$) |
|-------------------------------|------|----------------|------------------------|---------------|
| E.G. Albers | 2011 | NIL | \$ 90,000 | \$ 90,000 |
| (CEO) President and Treasurer | 2010 | NIL | \$ 160,000 | \$ 160,000 |

* This amount is the grant date fair value of the shares issued.

All other tables regarding executive officer compensation have been omitted as inapplicable.

Our directors are not compensated for their service on the Board.

Compensation Committee Interlocks and Insider Participation

We have no compensation committee or another board committee performing equivalent functions. Each of the current members of the Board, being Messrs. Albers, Menzies and Hill has participated in deliberations of the Board concerning executive officer compensation.

Compensation Committee Report

Given that no compensation has been paid to our directors and executive officers in our 2011 fiscal year, our Board of Directors has not reviewed or discussed the Compensation Discussion and Analysis set forth in Item 402(b) of Regulation S-K under the Securities Act with management; and has not recommended that such Compensation Discussion and Analysis be included in our Annual Report or proxy statement. This disclosure is being made by all members of our Board, being Messrs. Geoffrey Albers, Graeme Menzies, and William Ray Hill.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The following table sets forth, as of December 31, 2011, certain information with respect to the beneficial ownership of shares of common stock by (i) any officer of our company, (ii) each director of our company, (iii) each person known to us to be the beneficial owner of more than 5 percent of our outstanding shares of common stock, and (iv) our directors and executive officers as a group.

| Beneficial Owner | Number of Shares (1) | Percent of Class (2) |
|---|----------------------|----------------------|
| Ernest Geoffrey Albers (3) | 37,111,782 | 75.05 |
| William Ray Hill | 100,000 | 0.20 |
| Mark Anthony Muzzin – resigned Jan 13, 2012 | 0 | 0 |
| All executive officers and directors as a group (3 persons) | 37,511,782 | 75.25% |

(1) The number of shares and the percentage of the class beneficially owned by the entities above are determined under rules promulgated by the SEC and the information is not necessarily indicative of beneficial ownership for any other purpose. Under such rules, beneficial ownership includes any shares as to which the individual has sole or shared voting power or investment power and also any shares which the individual has the right to acquire within 60 days through the exercise of any stock option or other right. The inclusion herein of such shares, however, does not constitute an admission that the named stockholder is a direct or indirect beneficial owner of such shares. Unless otherwise indicated, each person or entity named in the table has sole voting power and investment power (or shares such power with his or her spouse) with respect to all shares of capital stock listed as beneficially owned by such person or entity.

(2) Percentages are based upon the total 49,450,531 outstanding shares of Common Stock at December 31, 2011, combined with the number of shares of Common Stock beneficially owned by each person or entity.

(3) Includes shares of common stock registered in the names of Mr. Albers' family members and affiliates.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

Set forth below is information regarding transactions involving the Company and executive officers, directors and significant shareholders of the Company during the most recent fiscal year and for the prior fiscal year.

Some of our directors and officers are engaged in various aspects of oil and gas exploration and development for their own account and through other entities in which they are directors and or shareholders. Furthermore, as described in this Item 13, certain of our directors and officers are involved in transactions with the Company. We have no policy prohibiting, nor does our Certificate of Incorporation prohibit, transactions between the Company and our officers and directors. We may enter into cost-sharing arrangements with respect to geological investigations, seismic acquisition and drilling of our properties. Directors and officers may participate, from time to time, in these arrangements and

such transactions may be on a non-promoted basis (actual costs), or on a promoted basis, but must be approved by a majority of the disinterested directors of the Board of Directors.

Mr. E Geoffrey Albers, the Chairman and President of AOGC, is a director and shareholder of each of Great Missenden Holdings Pty Ltd, Gascorp Australia Pty Ltd and of Octanex NL.

On September 22, 2009, Great Missenden Holdings Pty Ltd advanced \$200,000 on its \$250,000 Line of Credit to AOGC under the terms of the Line of Credit Agreement signed between AOGC and Great Missenden Holdings Pty Ltd on February 17, 2009. The Line of Credit was provided to AOGC in return for the issue to Great Missenden Holdings Pty Ltd of 250 Series III Convertible Unsecured Notes of \$1,000 each with an interest rate of 12% per annum. The Series III Convertible Notes may be converted into shares of Common Stock of AOGC at any time on or before December 31, 2012 on the basis of 12,000 shares of Common Stock for every \$1,000 Series III Convertible Notes or part thereof. This line of credit was repaid in full with interest on July 1, 2011.

On November 11, 2010, Great Missenden Holdings Pty Ltd advanced \$59,838 and on December 17, 2010 another \$49,545 on a new \$200,000 Line of Credit to AOGC under the terms of the Line of Credit Agreement signed between AOGC and Great Missenden Holdings Pty Ltd on October 18, 2010. The Line of Credit was provided to AOGC in return for the issue to Great Missenden Holdings Pty Ltd of 200 Series IV Convertible Unsecured Notes of \$1,000 each with an interest rate of 12% per annum. The Series IV Convertible Notes may be converted into shares of Common Stock of AOGC at any time on or before December 31, 2012 on the basis of 15,000 shares of Common Stock for every \$1,000 Series III Convertible Notes or part thereof. For the three months ended September 30, 2011 Great Missenden Holdings Pty Ltd charged \$13,436 for interest on this new line of credit. This line of credit was repaid in full with interest on July 1, 2011.

On April 4, 2011, Great Missenden Holdings Pty Ltd advanced \$83,080 to AOGC. This short term advance was repaid in full with interest on July 1, 2011.

On December 22, 2011, Great Missenden Holdings Pty Ltd advanced \$27,929 to AOGC. This is a short term advance.

We also have the use of premises in Australia at Level 21, 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 Octanex NL, (which replaced Setright Oil & Gas Pty Ltd in this role in the last quarter), makes in respect to the administration of the Company. For the year ended December 31, 2011 Octanex NL charged the Company \$2,244 for the provision of accounting and administrative services rendered by third parties for the benefit of the Company, but not including services rendered by Mr. E Geoffrey Albers, who is remunerated separately by way of the issue of shares of common stock.

With regard to the Nome Joint Venture, Mr. Albers is a director and shareholder in each of Auralandia NL, Natural Resources Group Pty Ltd, Petrocorp Australia Pty Ltd and Vulcan Australia Pty Ltd (subsidiary of Australian Oil & Gas Corporation). All of these companies are the holders of the Nome Joint Venture.

With regard to the Cornea Joint Venture, Mr. Albers is a director and shareholder in each of Coldron Pty Ltd, Cornea Petroleum Pty Ltd, Moby Oil & Gas Limited, Auralandia NL, Cornea Energy Pty Ltd, Octanex NL and Exoil Limited, the parent of Cornea Resources Pty Ltd. All of these companies are the holders of the Cornea Joint Venture.

At December 31, 2011 cash calls of \$781,192 (which is included in "Loan-Director Related Party") remain outstanding by Alpha Oil & Natural Gas Pty Ltd to the Cornea and Braveheart Joint Ventures. An agreement dealing with the liability to pay those calls has been reached. The agreement has the result that neither Braveheart Oil & Gas Pty Ltd nor Cornea Oil & Gas Pty Ltd, Alpha's subsidiaries are treated as being in default (so that they might otherwise forfeit their respective Participating Interests in the Joint Ventures), while remaining liable to make the payments.

By the agreement, each of Braveheart and Cornea have up to July 7, 2012 to make arrangements to satisfy their respective liabilities and may achieve this through a combination of sale of interests or by borrowing funds on commercial terms. The agreement has been entered into on terms which are favourable to Alpha and which enable Alpha to preserve any benefits which may derive from its interest in the period up to July 7, 2012.

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.

Our wholly owned subsidiary, Cornea Oil & Gas Pty Ltd (“Cornea Oil”), signed a farmout agreement with Coldron Pty Ltd (“Coldron”) on June 26, 2011. Coldron earned an 8.5% interest in an Australian offshore petroleum exploration permit WA-342-P (“Permit”) in return for reimbursing Cornea Oil an amount of AUD \$1,591,480 (USD \$1,526,600) during the year ended December 31, 2011. Coldron Pty Ltd is an affiliate Australian private company of EG Albers, President and shareholder of AOGC.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The company paid the following fees to Demetrius & Company L.L.C for services rendered during fiscal years 2011 and 2010:

| | 2011 | 2010 |
|-------------|--------|--------|
| | \$ | \$ |
| Audit Fees: | 34,500 | 34,500 |
| Tax Fees: | 4,950 | 4,605 |

Audit fees are for the audit of our annual financial statements, review of the financial statements included in our report on 10-Q and other services typically provided by an accountant in connection with statutory and regulatory filings or engagements for those fiscal years. Tax fees are for assurance and other services related to the performance of the audit or review of our financial statements.

Audit Committee’s Pre-Approval Practice

Inasmuch as the Company does not have an audit committee, its Board of Directors performs the functions of its audit committee. Section 10A(i) of the Securities Exchange act of 1934 prohibits our auditors from performing audit services for us as well as any services not considered to be “audit services” unless such services are pre-approved by the board of directors (in lieu of the audit committee) or unless the services meet certain de minimis standards.

The board of directors has adopted resolutions that provide that the board must:

Preapprove all audit services that the auditor may provide to us or any subsidiary (including, without limitation, providing comfort letters in connection with securities underwritings or statutory audits) as required by Section 10A(i) (1) (A) of the Securities Exchange Act of 1934 (as amended by the Sarbanes-Oxley Act of 2002).

Preapprove all non-audit services (other than certain de-minimis services described in Section 10A(i) (1) (B) of the Securities Exchange act of 1934 (as amended by the Sarbanes-Oxley Act of 2002) that the auditors propose to provide to us or any of its subsidiaries.

The board of directors considers at each of its meetings whether to approve any audit services or non-audit services. In some cases, management may present the request; in other cases, the auditors may present the request. The board of directors has approved Demetrius & Company LLC performing our audit for the 2010 and 2011 fiscal years.

PART IV

ITEM 15 EXHIBITS, FINANCIAL STATEMENT SCHEDULES

a)

1. Index to Consolidated Financial Statements

The following Consolidated Financial Statements are filed as part of this annual report on Form 10-K:

| | |
|--|------------|
| Report of Independent Registered Public Accounting Firm | F-2 |
| Consolidated Balance Sheets-December 31, 2011 and 2010 | F-3 |
| Consolidated Statements of Operations--Years Ended December 31, 2011 and 2010 | F-4 |
| Consolidated Statements of Stockholders' Equity—From inception (August 6, 2003) through to December 31, 2011 | F-5 |
| Consolidated Statements of Cash Flows--Years ended December 31, 2011 and 2010 | F-7 |
| Notes to Consolidated Financial Statements | F-8 - F-13 |

2. Financial Statement Schedules

Financial statement schedules have been omitted because they are either not required, not applicable or the information required to be set forth therein is included in the Consolidated Financial Statements hereto.

3. Exhibits

| Exhibit Number | Description |
|----------------|---|
| 3.1 | Certificate of Incorporation of Australian Oil & Gas Corporation (incorporated by reference from Exhibit 3.1 to the Company's annual report on Form 10-K for the year ended December 31, 2005). |
| 3.2 | By-Laws, as amended, of Australian Oil & Gas Corporation (incorporated by reference from Exhibit 3.2 to the Company's annual report on Form 10-K for the year ended December 31, 2005). |
| 10.8 | Deed of Re-appointment between the Company and E.G. Albers, dated February 17, 2009 (incorporated by reference from Exhibit 10.8 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008). |
| 10.9 | Agreement between the Company and Great Missenden Holdings Pty Ltd, regarding \$250,000 Line of Credit, dated February 17, 2009 (incorporated by reference from Exhibit 10.9 to the Company's Annual Report on Form 10-K for the year ended December 31, 2008). |
| 10.10 | Series III Convertible Unsecured Note held by Great Missenden Holdings Pty Ltd. |
| 10.11 | Agreement between the Company and E.G. Albers regarding the Acquisition of Shares and Compliance with U.S. Securities Law, dated February 17, 2009 (incorporated by reference from Exhibit 10.11 to the Company's annual report on Form 10-K for the year ended December 31, 2008). |
| 10.12 | Agreement between the Company and Great Missenden Holdings Pty Ltd, regarding \$200,000 Line of Credit, dated October 18, 2010. |
| 10.13 | Series IV Convertible Unsecured Note held by Great Missenden Holdings Pty Ltd. |
| 10.14 | Deed of Re-appointment between the Company and E.G. Albers, dated March 13, 2012.* |
| 14 | Standards of Conduct of Australian Oil & Gas Corporation (incorporated by reference from Exhibit 14 to the Company's annual report on Form 10-K for the year ended December 31, 2006). |
| 21 | List of Subsidiaries of Australian Oil & Gas Corporation. * |
| 24.1 | Certification of Secretary with respect to power of attorney. * |
| 31 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 13a-14 under the Securities Exchange Act of 1934. * |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. * |
| 101 | Interactive data files * |

* Filed herewith

(b) Not applicable.

(c) Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AUSTRALIAN OIL & GAS CORPORATION

By: /s/ E. Geoffrey Albers
E. Geoffrey Albers
E. Geoffrey Albers,
President

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

| Name | Title | Date |
|---|--|---------------------------|
| /s/ E. Geoffrey Albers E. Geoffrey Albers | President, Treasurer, Chief Financial Officer and Director | 28th day of March 2012 |
| /s/ Graeme Alan Menzies Graeme A. Menzies | Director, Vice President | 28th day of March 2012 |
| /s/ W. Ray Hill W. Ray Hill | Director, Vice President | 28th day of March 2012 |

FINANCIAL STATEMENTS

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Audit Report of Independent Registered Accountant

Consolidated Balance Sheets – as at December 31, 2011 and 2010

Consolidated Statements of Operations for the twelve months ended December 31, 2011 and 2010 and for the period from inception (August 6, 2003) to December 31, 2011.

Consolidated Statements of Changes in Stockholders' Equity and Comprehensive Income for the period from inception (August 6, 2003) to December 31, 2011

Consolidated Statements of Cash Flows for the twelve months ended December 31, 2011 and 2010 and for the period from inception (August 6, 2003) to December 31, 2011.

Notes to Consolidated Financial Statements

F-1

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders
of Australian Oil & Gas Corporation (An Exploration Stage Enterprise)

We have audited the accompanying consolidated balance sheets of Australian Oil & Gas Corporation and subsidiaries (An Exploration Stage Enterprise) as of December 31, 2011 and 2010 and the related consolidated statements of operations, stockholders' equity and cash flows for each of the two years then ended and the period from inception (August 6, 2003) to December 31, 2011. The Company's management is responsible for these consolidated financial statements. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Australian Oil & Gas Corporation and subsidiaries (An Exploration Stage Enterprise) as of December 31, 2011 and 2010, and the results of their operations and their cash flows for each of the years in the two year period ended and for the period from inception (August 6, 2003) to December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

/s/ Demetrius & Company, L.L.C.
Wayne, New Jersey
March 28, 2012

Australian Oil & Gas Corporation
(an exploration stage enterprise)
CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands)

| | 12/31/11 | 12/31/10 |
|---|--------------|--------------|
| | \$ | \$ |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | 26 | 37 |
| Receivables | 7 | 5 |
| Total Current Assets | 33 | 42 |
| Non-Current assets: | | |
| Exploration and Evaluation Asset (Note 11) | 1,528 | 3,050 |
| Total Non-Current Assets | 1,528 | 3,050 |
| Total Assets | 1,561 | 3,092 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable and accrued expenses | 161 | 123 |
| Total Current Liabilities | 161 | 123 |
| Non-Current liabilities: | | |
| Convertible Lines of Credit – Director Related | - | 343 |
| Accounts payable to director related entities (Note 6) | 781 | 1,844 |
| Total Non-Current Liabilities | 781 | 2,187 |
| Total Liabilities | 942 | 2,310 |
| STOCKHOLDERS' EQUITY | | |
| Common stock, \$0.001 par value; 75,000,000 shares authorized, Issued shares, 49,450,531 at December 31, 2011 and 47,650,531 at December 31, 2010; Outstanding shares, 49,450,531 at December 31, 2011 and 47,650,531 at December 31, 2010. | 50 | 48 |
| Capital in excess of par value | 2,968 | 2,880 |
| Accumulated other Comprehensive Income | 379 | 304 |
| Deficit accumulated during the exploration stage | (2,778) | (2,450) |
| Total Stockholders' Equity | 619 | 782 |
| Total Liabilities and Stockholders' Equity | 1,561 | 3,092 |

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

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Australian Oil & Gas Corporation
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF OPERATIONS
For the twelve months ended December 31, 2011 and 2010
and for the period from inception (August 6, 2003) to December 31, 2011

(Dollar amounts in thousands)

| | For the twelve months ended Dec 31, 2011 \$ | For the twelve months ended Dec 31, 2010 \$ | From inception to Dec 31, 2011 \$ |
|---|--|--|--|
| Expenses | | | |
| Exploration | 94 | 2,704 | 5,279 |
| General and administrative | 186 | 156 | 1,488 |
| Merger and reorganization | - | - | 249 |
| Total operating expenses | 280 | 2,860 | 7,016 |
| Loss before other income and expense | (280) | (2,860) | (7,016) |
| Other Income and (Expense) | | | |
| Income from sale of tenement and tenement information | - | 4,244 | 6,143 |
| Write down of investments | - | - | (1,759) |
| Currency exchange gain / (loss) | (28) | (73) | (37) |
| Interest income | 4 | 8 | 75 |
| Interest expense | (24) | (27) | (160) |
| Income / (loss) before income tax | (328) | 1,292 | (2,754) |
| Income tax provision | - | - | 24 |
| Net Income / (loss) | (328) | 1,292 | (2,778) |
| Income / (loss) per Common Share: | | | |
| Basic | \$ (0.01) | \$ 0.03 | \$ (0.08) |
| Dilutive | \$ (0.01) | \$ 0.03 | \$ (0.08) |
| Weighted average common share used in calculation -Basic | 49,005,531 | 46,406,026 | 37,300,849 |
| Weighted average common share used in calculation -Dilutive | 49,005,531 | 48,888,434 | 37,300,849 |

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

Australian Oil & Gas Corporation
(an exploration stage enterprise)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE
INCOME

For the period from inception (August 6, 2003) to December 31, 2011

(Dollar amounts in thousands)

Common Stock

| | Shares | Amount \$ | Capital in excess of par value \$ | Accumulated Other Comprehensive Income \$ | Deficit Accumulated during exploration stage \$ | Total Equity \$ |
|--|------------|--------------|--|---|--|-----------------------|
| Balance, August 6, 2003 | 0 | 0 | 0 | 0 | 0 | 0 |
| Issuance of common stock: | | | | | | |
| Combination of Controlled Entities | | 1,560 | | | | 1,560 |
| To holders of unsecured claims against Synergy Technology Corporation | 3,000,000 | | | | | |
| To equity holders of Synergy Technology Corporation | 4,800,528 | | | | | |
| To the Plan Funder to fund the Plan of Reorganization | 19,500,000 | 20 | 55 | | | 75 |
| Loss from operations | | | | | (184) | (184) |
| Balance, December 31, 2003 | 27,300,528 | 1,580 | 55 | | (184) | 1,451 |
| Loss from operations | | | | | (1,849) | (1,849) |
| Foreign currency translation adjustment | | | | 195 | | 195 |
| Balance, December 31, 2004 | 27,300,528 | 1,580 | 55 | 195 | (2,033) | (203) |
| | 2,500,000 | 2 | 248 | | | 250 |

| | | | | | | |
|--|------------|----------|-------|-------|----------|--------|
| To the Chairman as compensation | | | | | | |
| Shares issued external to combined group previously held within the combined group | | | | | | |
| | | 65 | | | | 65 |
| Loss from operations | | | | | (606) | (606) |
| Foreign currency translation adjustment | | | | 48 | | 48 |
| Balance, December 31, 2005 | | | | | | |
| | 29,800,528 | 1,647 | 303 | 243 | (2,639) | (446) |
| To the Chairman as compensation | | | | | | |
| | 2,000,000 | 2 | 198 | | | 200 |
| Profit from operations | | | | | 592 | 592 |
| Acquisition of entities subject to common control | | (1,621) | 1,621 | | | - |
| Foreign currency translation adjustment | | | | 17 | | 17 |
| Balance, December 31, 2006 | | | | | | |
| | 35,900,531 | 28 | 2,122 | 260 | (2,047) | 363 |
| To the Chairman as compensation | | | | | | |
| | 1,500,000 | 2 | 88 | | | 90 |
| Loss from operations | | | | | (815) | (815) |
| Foreign currency translation adjustment | | | | (36) | | (36) |
| Balance, December 31, 2007 | | | | | | |
| | 37,400,531 | 30 | 2,210 | 224 | (2,862) | (398) |

Australian Oil & Gas Corporation

(an exploration stage enterprise)

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AND COMPREHENSIVE
INCOME (Continued)

For the period from inception (August 6, 2003) to December 31, 2011

(Dollar amounts in thousands)

| | | | | | | |
|--|------------|----|-------|------|---------|-------|
| Conversion of Notes | 3,650,000 | 13 | 299 | | | 312 |
| Loss from operations | | | | | (389) | (389) |
| Foreign currency translation adjustment | | | | 92 | | 92 |
| Balance, December 31, 2008 | 41,050,531 | 43 | 2,509 | 316 | (3,251) | (383) |
| To the Chairman as compensation (Note 8) | 4,600,000 | 3 | 213 | | | 216 |
| Loss from operations | | | | | (491) | (491) |
| Foreign currency translation adjustment | | | | (52) | | (52) |
| Balance, December 31, 2009 | 45,650,531 | 46 | 2,722 | 264 | (3,742) | (710) |
| To the Chairman as compensation (Note 8) | 2,000,000 | 2 | 158 | | | 160 |
| Income from operations | | | | | 1,292 | 1,292 |
| Foreign currency translation adjustment | | | | 40 | | 40 |
| Balance, December 31, 2010 | 47,650,531 | 48 | 2,880 | 304 | (2,450) | 782 |
| To the Chairman as compensation (Note 8) | 1,800,000 | 2 | 88 | | | 90 |
| Loss from operations | | | | | (328) | (328) |
| Foreign currency translation adjustment | | | | 75 | | 75 |
| Balance, December 31, 2011 | 49,450,531 | 50 | 2,968 | 379 | (2,778) | 619 |

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
For the twelve months ended December 31, 2011 and 2010
and Cumulative from inception (August 6, 2003) to December 31, 2011

(Dollar amounts in thousands)

| | Dec 31, 2011 | Dec 31, 2010 | From inception to Dec 31, 2011 |
|---|--------------|--------------|--------------------------------------|
| | \$ | \$ | \$ |
| Cash flows from operating activities: | | | |
| Net income / (loss) | (328) | 1,292 | (2,788) |
| Adjustments to reconcile net income / (loss) to net cash used in operating activities: | | | |
| Compensation expense (Note 8) | 90 | 160 | 1,015 |
| Currency exchange (gain)/loss | 98 | 39 | 106 |
| Write down of investment | - | - | 1,759 |
| Issuance of Convertible Note in lieu of repayment of advances from director related entity | - | - | 100 |
| Gain on transfer of interest in tenement | - | (4,244) | (6,142) |
| Change in assets and liabilities | | | |
| Increase (decrease) in accounts payable | 35 | (3,354) | 511 |
| Increase (decrease) in tax payable | - | - | (9) |
| (Increase) decrease in accounts receivable | (1) | (4) | 77 |
| Increase in exploration assets | (5) | (82) | (3,055) |
| Net cash used in operating activities | (111) | (6,193) | (8,426) |
| Cash flows from financing activities: | | | |
| Proceeds from the sale of Common stock – net | - | - | 75 |
| Proceeds from advance from director-related entities | - | 1,844 | 1,844 |
| Proceeds from line of credit | - | 137 | 671 |
| Repayment of advance from director-related entities | (1,426) | - | (1,499) |
| Net cash provided by financing activities | (1,426) | 1,981 | 1,091 |
| Cash flows from investing activities: | | | |
| Proceeds from sale of tenement (Note 11) | 1,526 | 4,244 | 7,279 |
| Net cash provided investing activities | 1,526 | 4,244 | 7,279 |
| Increase (decrease) in cash | (11) | 32 | (56) |
| Cash and cash equivalents at beginning of period | 37 | 5 | - |
| Effect of currency exchange rate fluctuations on cash held | - | - | 82 |

| | | | |
|---|----|-----|-------|
| Cash and cash equivalents at end of period | 26 | 37 | 26 |
| Supplementary disclosure of non-cash financing activities. | | | |
| - Issuance of Stock for compensation and settlement of advances | 90 | 160 | 1,015 |
| - Administration Fees charged by Setright Oil & Gas Pty Ltd | - | 17 | 250 |
| - Interest charged by Great Missenden Holdings Pty Ltd | - | 27 | 140 |

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

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Australian Oil & Gas Corporation
(an exploration stage enterprise)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2011

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. Since inception it has been engaged in the assessment of oil and gas exploration properties.

The authorized capital stock of the AOGC consists of 75,000,000 shares of common stock (AOG Common Stock), \$0.001 par value.

The company has two wholly owned Australian subsidiaries; Alpha Oil & Natural Gas Pty Ltd and Nations Natural Gas Pty Ltd. Alpha Oil & Natural Gas Pty Ltd itself has three wholly owned Australian subsidiaries, Vulcan Australia Pty Ltd (which held the joint venture interests in each of the Vulcan and Nome Joint Ventures), Braveheart Oil & Gas Pty Ltd (which held the joint venture interest in the Braveheart Joint Venture) and Cornea Oil & Gas Pty Ltd (which will holds the joint venture interest in the Cornea Joint Venture).

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements include all majority-owned subsidiaries. All material intercompany transactions and balances have been eliminated.

Use of estimate

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and footnotes thereto. Actual results could differ from those estimates.

Undeveloped mineral interests and oil and gas properties

The Company follows the successful efforts method of accounting for its oil and natural gas exploration activities, as follows:

- Geological and geophysical costs and costs of retaining unproved properties and undeveloped properties are charged to expense as incurred and are included as a reduction of operating cash flow in the consolidated statements of cash flow.
- Costs of exploratory wells are capitalized pending determination of whether they have discovered proved reserves.
- * The costs of exploratory wells that have found oil and natural gas reserves that cannot be classified as proved when drilling is completed continue to be capitalized as long as the well has found a sufficient quantity of reserves to justify its completion as a

producing well and sufficient progress is being made in assessing the proved reserves and the economic and operating viability of the project. Management evaluates progress on such wells on an on-going basis.

- * If proved reserves are not discovered the related drilling costs are charged to exploration expense.

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- Acquisition costs of permits, leases and development activities are capitalized.
- Other exploration costs are charged to expense as incurred.
- Gains or losses from disposition of the Company's interests in oil and gas properties are included in earnings under the following conditions:
 - * All or part of an interest owned is sold to an unrelated third party; if only part of an interest is sold, there is no substantial uncertainty about the recoverability of cost applicable to the interest retained; and
 - * The Company has no substantial obligation for future performance (e.g. drilling a well(s) or operating the property without proportional reimbursement of costs relating to the interest sold).
- Interest expense allocable to significant unproved leasehold costs and in progress exploration and development projects is capitalized until the assets are ready for their intended use. There was no interest expense capitalized by the Company in 2007 or in the prior three years.

Asset Impairment. Costs of unproved oil and gas properties are assessed periodically and a loss is recognized if the properties are deemed impaired. When events or circumstances indicate that unproved oil and gas property carrying amounts might not be recoverable from estimated future undiscounted cash flows from the property, a reduction of the carrying amount to fair value is required. Measurement of the impairment loss is based on the estimated fair value of the asset, which the Company would determine using estimated undiscounted future cash flows from the property, adjusted to present value using an interest rate considered appropriate for the asset.

Income taxes

The Company will provide for income taxes utilizing the liability approach under which deferred income taxes are provided based upon enacted tax laws and rates applicable to the periods in which the taxes became payable. The company operates in the state and federal jurisdictions. Through its Australian subsidiary companies it also operates in the federal tax jurisdiction of Australia.

Cash equivalents

For purposes of the statements of cash flows, the Company will consider all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

Concentrations of credit risk

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of cash and cash equivalents. The Company will place its cash with high quality financial institutions. The Company maintains the primary amount of cash in Australian Banks. These accounts are not insured.

Fair Value of Financial Instruments

The Company's financial instruments include cash, cash equivalents, account receivable, accounts payable, accrued expenses and long term debt. The book values of cash, cash equivalents, accounts receivable, accounts payable and accrued expenses are representative of their fair value due to the short-term maturity of these instruments. The Company's advance from Great Missenden Holdings Pty Ltd is at a fixed interest rate and the book value, after interest is accrued, is considered representative of the advances fair value.

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Recently issued Accounting Standards adopted as of December 31, 2011

None.

NOTE 3: INCOME TAXES

Net losses attributable to the acquisition of Synergy Technologies Corporation are limited by Internal Revenue Recognition. When there is a more than 50% change in ownership, the amount of Net Operating loss available is approximately \$342,000, which expires between 2017-2022.

Management of the Company has decided to fully reserve for its deferred tax asset, as it is more likely than not that the Company will not be able to utilize these deferred tax assets against future income, coupled with the possible limitations of the net operating losses due to various changes in ownership over the past years.

| | |
|---------------------------------|-------------|
| | \$ |
| Operating loss carried forwards | 1,602,749 |
| Less : Valuation Allowance | (1,602,749) |
| Net Deferred Tax Assets | - |

As described in Note 2, the Company adopted FIN 48 on January 1, 2007, which prescribes treatment of “unrecognized tax positions”, and requires measurement and disclosure of such amounts. At both December 31, 2011 and January 1, 2011, the Company had no material unrecognized tax benefits.

Management considers the years 2007 to 2010 to be open for examination by taxing authorities.

Carried forward tax losses in the Australian subsidiaries are not included in the above numbers. Realization of the losses is not probable.

NOTE 4: BASIC LOSS PER COMMON SHARE

Basic loss per common share is based on the weighted average number of shares of common stock issued from inception to December 31, 2011.

NOTE 5: 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, Gascorp Australia Pty Ltd and of Octanex NL.

The \$250,000 Line of Credit Agreement signed between AOGC and Great Missenden Holdings Pty Ltd on February 17, 2009 has an expiry date of December 31, 2012. All funds advanced from the line of credit were repaid in full with interest on July 1, 2011.

The \$200,000 Line of Credit Agreement signed between AOGC and Great Missenden Holdings Pty Ltd on October 18, 2010 has an expiry date of December 31, 2012. This line of credit was repaid in full with interest on July 1, 2011.

On April 4, 2011, Great Missenden Holdings Pty Ltd advanced \$83,080 to AOGC. This short term advance was repaid in full with interest on July 1, 2011.

On December 22, 2011, Great Missenden Holdings Pty Ltd advanced \$27,929 to AOGC. This is a short term advance.

During the year ended December 31, 2011 Mark Muzzin, director of AOGC until January 13, 2012, was paid consulting fees of \$22,467. These fees were not paid to Mr Muzzin's in his capacity as director.

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We also have the use of premises in Australia at Level 21, 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 Octanex NL, (which replaced Setright Oil & Gas Pty Ltd in this role in the last quarter), makes in respect to the administration of the Company. For the year ended December 31, 2011 2011 Octanex NL charged the Company \$2,244 for the provision of accounting and administrative services rendered by third parties for the benefit of the Company, but not including services rendered by Mr. E Geoffrey Albers, who is remunerated separately by way of the issue of shares of common stock.

With regard to the Nome Joint Venture, Mr. Albers is a director and shareholder in each of Auralandia NL, Natural Resources Group Pty Ltd, Petrocorp Australia Pty Ltd and Vulcan Australia Pty Ltd (subsidiary of Australian Oil & Gas Corporation). All of these companies are the holders of the Nome Joint Venture.

With regard to the Cornea Joint Venture, Mr. Albers is a director and shareholder in each of Coldron Pty Ltd, Cornea Petroleum Pty Ltd, Moby Oil & Gas Limited, Auralandia NL, Cornea Energy Pty Ltd, Octanex NL and Exoil Limited, the parent of Cornea Resources Pty Ltd. All of these companies are the holders of the Cornea Joint Venture.

At December 31, 2011 cash calls of \$781,192 (which is included in "Loan-Director Related Party") remain outstanding by Alpha Oil & Natural Gas Pty Ltd to the Cornea and Braveheart Joint Ventures. An agreement dealing with the liability to pay those calls has been reached. The agreement has the result that neither Braveheart Oil & Gas Pty Ltd nor Cornea Oil & Gas Pty Ltd, Alpha's subsidiaries are treated as being in default (so that they might otherwise forfeit their respective Participating Interests in the Joint Ventures), while remaining liable to make the payments.

By the original agreement, each of Braveheart and Cornea had up to September 15, 2012 to make arrangements to satisfy their respective liabilities and to achieve this through a combination of sale of interests or by borrowing funds on commercial terms. An amended agreement was signed March 23, 2012 whereby the parties now have up to September 15, 2013 to make arrangement to satisfy the liabilities. The agreements have been entered into on terms which are favourable to Alpha and which enable Alpha to preserve any benefits which may derive from its interest in the period up to September 15, 2013.

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.

Our wholly owned subsidiary, Cornea Oil & Gas Pty Ltd ("Cornea Oil"), signed a farmout agreement with Coldron Pty Ltd ("Coldron") on June 26, 2011. Coldron earned an 8.5% interest in an Australian offshore petroleum exploration permit WA-342-P ("Permit") in return for reimbursing Cornea Oil an amount of AUD \$1,591,480 (USD \$1,526,600) during the year ended December 31, 2011. Coldron Pty Ltd is an affiliate Australian private company of EG Albers, President and shareholder of AOGC.

NOTE 6: LIABILITIES TO DIRECTOR RELATED ENTITIES

At December 31, 2011, the Company owed to National Oil & Gas Ltd of \$3,267 for exploration costs.

From the advances made in December 2011, the liability to Great Missenden Holdings at December 31, 2011 is \$27,929.

At December 31, 2011 cash calls of \$781,192 remain outstanding by Alpha Oil & Natural Gas Pty Ltd to the Cornea and Braveheart Joint Ventures. The other participant companies in the Joint Ventures are all director-related of Mr. E Geoffrey Albers.

NOTE 7: COMMON STOCK

- On December 13, 2010, 2,000,000 shares of Common stock were issued to EG Albers under the terms of his employment contract, filed as an exhibit to the 2008 Form 10-K.
- On December 23, 2011, 1,800,000 shares of Common stock were issued to EG Albers under the terms of his employment contract, filed as an exhibit to the 2008 Form 10-K.

NOTE 8: COMMON STOCK ISSUED TO EG ALBERS

On December 23, 2011, 1,800,000 shares of Common stock were issued to EG Albers under the terms of his employment contract.

NOTE 9: 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 statements and to display the accumulated balance of other comprehensive income separately in the equity section of the Consolidated Balance Sheet.

The functional currency of Australian Oil & Gas Corporation's Australian subsidiaries is Australian dollars. The comprehensive income of \$379,792 disclosed in the consolidated balance sheet is the foreign currency exchange gain on converting the subsidiaries' balance sheets and income statements to US dollars for consolidation purposes.

NOTE 10: COMMITMENTS AND CONTINGENCIES

The Company is without insurance pertaining to various potential risks with respect to its properties, including general liability, because it is presently not able to obtain insurance for such risks at rates and on terms, which it considers reasonable. The financial position of the Company in future periods will be adversely affected if uninsured losses were to be incurred.

NOTE 11: EXPLORATION AND EVALUATION ASSETS

As of December 31, 2011 the company's Australian subsidiary, Alpha Oil and Natural Gas Pty Ltd (on behalf of its subsidiary Cornea Oil and Gas Pty Ltd) share of drilling costs of the Cornea-3 exploration well in WA-342-P was approximately \$3,055,000. The well was drilled from December 11, 2009 to December 28, 2009. Overall, the results

of Cornea-3 have defined an oil column in that location. Looking forward, the data obtained from Cornea-3 should enable the Cornea Joint Venture to formulate a future exploration, appraisal and development strategy. On this basis the costs of the well have been capitalized.

The well is reviewed annually and nothing has occurred that would require an impairment charge.

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Our wholly owned subsidiary, Cornea Oil & Gas Pty Ltd (“Cornea Oil”), signed a farmout agreement for the permit WA-342-P with Coldron Pty Ltd (“Coldron”) on June 26, 2011. As a result of the farmout agreement, \$1,526,600 of exploration costs previously capitalized for the Cornea-3 well have been recovered. On that basis carried forward capitalized exploration costs at December 31, 2011 is \$1,528,000.

NOTE 12: SUBSEQUENT EVENTS

On March 1, 2012, Nations Natural Gas Pty Ltd entered into a farmin to acquire a 5% interest from National Oil Corporation Pty Ltd in the exploration permit WA-422-P by covenanting to meet the next \$200,000 of the cost of the Program otherwise due by National Oil Corporation Pty Ltd in respect to a 10% interest in the permit.

The Company has evaluated subsequent events for the period from December 31, 2011, the date of these financial statements through to March 28, 2011, which represents the date these financial statements are being filed with the Commission. Pursuant to the requirements of FASB ASC Topic 855, there were no events or transactions occurring during this subsequent event reporting period that require recognition or disclosure in the financial statement other than that disclosed in the previous paragraph.

With respect to this disclosure, the Company has not evaluated subsequent events occurring after March 28, 2012.

