AUSTRALIAN OIL & GAS CORP
Form 10-Q
August 14, 2008

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

FORM 10-Q

(Mark One)

[x] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended: June 30, 2008

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE EXCHANGE ACT

For the transition period from to

Commission File Number 000-26721

AUSTRALIAN OIL & GAS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	84-1379164
(State or other jurisdiction of incorporation of organization)	(IRS Employer Identification Number)

2480 North Tolemac Way, Prescott, Arizona 86305
(Address of principal executive offices)

Issuer's Telephone Number: (928) 778 1450

NOT APPLICABLE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the proceeding 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 [x] No [ ]

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 [_] (Do not check if a smaller reporting company)	Smaller reporting company [X]

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

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

41,050,531 shares of common stock, $0.001 par value, as of August 1, 2008.

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AUSTRALIAN OIL & GAS CORPORATION

For the Quarterly Period Ended: June 30, 2008

Part 1. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

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

ASSETS

(Dollar amounts in thousands)	June 30, 2008 (Unaudited) $	Dec (Aud
Current assets:		
Cash and cash equivalents	202	
Other receivables	5	
Total Current Assets	202	
Total Assets	207	

LIABILITIES AND STOCKHOLDERS' EQUITY

Current liabilities:		
Accounts payable and accrued expenses (Note 7)	193	
Accounts payable to director related entities	11	
Income tax expense payable	--	
Total Current Liabilities	204	
Non-current liabilities:		
Convertible Notes	--	
Total Non-current Liabilities	--	
Total Liabilities	204	
Stockholders' Equity		
Common stock, $0.001 par value;75,000,000 shares authorized, Issued shares, 42,050,531 at June 30, 2008 and 37, 400,531 at December 31, 2007; Outstanding shares, 41,050,531 at June 30, 2008 and December 31, 2007. (Note 5)	33	
Capital in excess of par value	2,519	2
Accumulated other Comprehensive Income	206	
Deficit accumulated during the exploration stage	(2,755)	(2
Total Stockholders' Equity	3	
Total Liabilities and Stockholders' Equity	207	

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

Australian Oil & Gas Corporation

(an exploration stage enterprise)
CONSOLIDATED STATEMENT OF OPERATIONS
For the three months ended June 30, 2008 and 2007
for the period from inception (August 6, 2003) to June 30, 2008

(Dollar amounts in thousands)

	For the six months ended June 30, 2008	For the six months ended June 30, 2007	For th mon en June 2
Expenses			
General and administrative	92	134	
Merger and reorganisation	--	--	
Exploration	208	120	
Total operating expenses	300	254	
Net Profit / (loss) before other income and income taxes	(300)	(254)	(
Other Income and Expense			
Gain on transfer of interest in tenement (Note 7)	389	--	
Write down of investments	--	--	
Currency exchange gain /(loss)	26	88	
Interest income	7	14	
Interest expense	(15)	(7)	
Profit / (Loss) before income tax	107	(166)	
Income tax provision	--	--	
Net Profit / (loss)	107	(166)	
Profit/ (loss) per Common share :			
Loss before extraordinary item			
Net Profit / (loss)	$ 0.00	$ (0.00)	$ 0
Weighted average common share used in calculation	37,656,026	36,092,175	37,906,

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 CASH FLOWS for the
six months ended June 30, 2008 and 2007 (Unaudited)
and for the cumulative period from August 6, 2003 (Date of Inception)
to June 30, 2008 (Unaudited)

(Dollar amounts in thousands - except per share data)

	For the six months ended June 30, 2008 $	For the six months ended June 30, 2007 $	Cumu from
Cash flows from operating activities:			
Net profit / (loss)	107	(166)	
Adjustments to reconcile net profit/(loss) to net cash used in operating activities:			
Adjustments for non-cash items			
Compensation expense	40	83	
Currency exchange loss/(gain)	(59)	(144)	
Write down of investment	--	--	
Issuance of Convertible Note in lieu of repayment of advances from director related entity	7	14	
Gain on transfer of interest in tenement (Note 7)	(389)	--	
Change in assets and liabilities:			
Increase/(decrease) in accounts payable	(7)	111	
Increase /(decrease) in income tax payable	(1)	(25)	
Decrease in exploration assets	--	--	
Decrease/(increase) in accounts receivable	(5)	2	
Net cash used in operating activities	(307)	(125)	
Cash flows from financing activities:			
Proceeds from advance from director-related entities	9	--	
Repayment of advance from director-related entities	--	(39)	
Proceeds from the sale of Common stock - net	--	--	
Net cash (used in)/ provided by financing activities	9	(39)	
Cash flows from investing activities:			
Proceeds from sale of tenement	--	--	
Net cash provided by investing activities	--	--	
Increase/ (decrease) in cash	(298)	(164)	
Cash at beginning of period	484	734	
Effect of currency exchange rate fluctuations on cash held	16	40	

Cash at end of period	202	610	
	==========	==========	===
Supplemental disclosure of non-cash activities:			
Administration Fees charged by Setright Oil & Gas Pty Ltd	36	26	
Interest charged by Great Missenden Holdings Pty Ltd	14	14	
Issuance of Stock for compensation and settlement of advances	312	--	
Gain on transfer of interest in tenement	389	--	

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

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

The accompanying interim consolidated financial statements of Australian Oil & Gas Corporation are unaudited. However, in the opinion of management, the interim data includes all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim period. The results of operations for the period ended June 30, 2008 are not necessarily indicative of the operating results for the entire year. The interim financial statements should be read in conjunction with our Annual Report on Form 10-KSB for the year ended December 31, 2007.

Note 1: Organization

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

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

Note 2: Summary of Significant Accounting Policies

Use of estimates
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.

Note 3: Related Party Transactions

Mr. E Geoffrey Albers, the Chairman and President of AOGC, is a director and shareholder of each of Great Missenden Holdings Pty Ltd and of Setright Oil & Gas Pty Ltd.

Effective from April 4, 2005, in return for the previous advances of $212,000, the Company issued to Great Missenden Holdings Pty Ltd 212 Series I Convertible Notes of $1,000 each, with an interest coupon of 10% per annum, convertible into shares of Common Stock, originally at any time on or before December 31, 2007 but these were converted on June 24, 2008, on the basis of 12,500 shares of Common Stock for every $1,000 Convertible Note or part thereof.

Effective from April 26, 2005, Great Missenden Holdings Pty Ltd approved a further $100,000 Line of Credit to the Company in return for the issue to Great Missenden Holdings of 100 Series II Convertible Notes of $1,000 each with an interest rate of 10% per annum, convertible into shares of Common Stock at any time on or before 31 December, 2008 on the basis of 10,000 shares of Common Stock for every $1,000 Series II Convertible Notes or part thereof. As of March 30, 2008, the $100,000 Line of Credit, which had been fully drawn down, was converted into these Series II Convertible Notes. On June 24, 2008, 2,650,000 shares of Common Stock were issued to Great Missenden Holdings Pty Ltd to settle the Series I Convertible Notes. On the same date 1,000,000 of Common Stock were issued to Great Missenden Holdings Pty Ltd to settle the Series II Convertible Notes.

Great Missenden Holdings Pty Ltd charged $7,303 for interest on all advances during the quarter. Setright Oil & Gas Pty Ltd charged the Company $26,960 during the quarter 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.

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 Setright Oil & Gas Pty Ltd makes in respect to the administration of the Company.

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

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

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

With regard to the National Gas Consortium, Mr. Albers is a director and shareholder in each of National Oil & Gas Pty Ltd, Australian Natural Gas Pty Ltd and Natural Gas Australia Pty Ltd. Expenditure incurred by National Gas Australia Pty Ltd has resulted in National Gas Australia Pty Ltd earning an aggregate 30% interest in each of NT/P62, NT/P63, NT/P64, NT/P65, NT/P71 and NT/P72, (National Gas Consortium), of which 9% was earned from Nations.

Note 4: Current Liabilities

At June 30, 2008 the accounts payable balance includes $40,000 for remuneration due to Mr Albers for his services as set out in Note 3 Related Party

Transactions.

Note 5: Issued Shares

At June 30, 2008, 1,000,000 shares included in issued and outstanding shares of 42,050,531 disclosed in the balance sheet and used for the earnings per common share calculation were reserved but not yet issued. These shares will be used to compensate Mr Albers and will be issued in the quarter ending December 31 2008. For this quarter the amount issued is an estimate as a new contract with Mr Albers is being negotiated.

Note 6: Comprehensive Income

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

The functional currency of Australian Oil & Gas Corporation's Australian subsidiaries is the Australian dollar. The comprehensive income of $206,000 disclosed in the Consolidated Balance Sheet is the accumulation of all currency exchange differences arising from translating the Australian subsidiaries' financial statements from functional currency to presentation from the acquisition date of these Australian subsidiaries to the current balance date.

Note 7: Gain on transfer of interest in exploration tenement

Through its subsidiary, Nations Natural Gas Pty Ltd and its interest in the National Gas Consortium Joint Venture tenements, AOGC recorded exploration expense of $353,272 in the month of December 2007. This was on the basis of December 2007 invoices from National Gas Australia Pty Ltd (`NGA") for additional costs incurred on behalf of the Joint Venture by NGA in the 2D Seismic Sunshine and Kurrajong Surveys.

Subsequent to the invoices being booked into the Joint Venture accounts and the exploration expense being recognized it was decided by the participant companies to the Joint Venture that rather than pay the invoices from NGA an additional farmout of a 10% interest in all tenements would be offered to NGA to settle the debt. On June 16, 2008, farmout agreements were signed between the Joint Venture participant companies, including Nations Natural Gas. The financial impact of these agreements was the payable to NGA was settled, a gain on the transfer of the tenement interest was recognized and a non-cash contribution to the Joint Venture in the form of NGA's farmin contribution was recognized in the Joint Venture accounts. In the AOGC Consolidated Balance Sheet for June 30, 2008, this resulted in a decrease in accounts payable of $389,529 and in the AOGC Consolidated Statement of Operations a $389,529 gain on the transfer of tenement interests. The difference between the original Dec 2007 invoiced amount and the amount reversed in June 2008 is due an increase in the value of Australian Dollar against the US Dollar.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Forward-looking statements

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

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

Plan of Operation

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

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

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

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

Vulcan Joint Venture

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

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

AC/P33 (granted July 6, 2004) includes the undeveloped Oliver oil and gas accumulation, drilled by the now plugged and abandoned Oliver-1 well. AC/P33 comprises five graticular blocks, totaling approximately 400 km(2) (98,800 acres). During the first three years of the initial 6-year term of permit AC/P33, the joint venture participants obtained a range of existing reports and open file seismic data and have mapped, interpreted and revised analyses and concepts for the area. The joint venture has carried out enhancement of existing seismic data around the Oliver feature, and has examined various techniques for potential to provide direct hydrocarbon indicators. As a result of the farmout to NGA, the joint venture has acquired 124 km(2) (acres) of new high quality enhanced parameter 3D seismic survey, known as the Oliver 3D Seismic Survey. The survey was conducted over the Oliver feature and part of its extension to the east. The joint venture has elected to enter the second three years of the initial permit and plans to drill one exploration well prior to the end of 2009, and to perform further interpretational work. Active geological and geophysical evaluation of the permit continues, including processing of the new Oliver Seismic Survey and reprocessing of part of the immediately adjacent Onnia 3D Seismic Survey in the vicinity of the Oliver-1 well, in preparation for the proposed Oliver 2 exploration/appraisal well. The permit has been offered for farmout, with a number of domestic and international companies assessing the acreage.

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Concurrently with the farmout efforts, the Vulcan Joint Venture participants are considering how they might collectively meet the funding requirements for drilling the Oliver-2 well in AC/P33, and how they should proceed in the future with respect to funding of any Oliver development. Discussions amongst the joint venture participants have focused on the concept of each of the participants, other than the operator, Auralandia, selling their interest in the Vulcan Joint Venture permits in return for an appropriate pro rate issue of shares. Auralandia has signified that it would be amenable to being the corporate vehicle for unifying all the Vulcan Joint Venture interests in this manner. The Company is investigating this opportunity and plans to participate in this manner. Capital would be required by Auralandia for drilling and or development of Oliver and would relieve our Company of any direct cost commitment to any of the Vulcan Joint Venture permits (AC/P33, AC/P35 and AC/P39).

AC/P35 (granted October 18, 2005) is located immediately to the north of AC/P33. It comprises 46 graticular blocks, totaling approximately 3,410 km(2) (842,645 acres). There have been five wells drilled in the area, with two having oil and gas indications, all of which were plugged and abandoned. During the first three years of the initial 6-year term of the AC/P35 permit, we plan to obtain a range of pertinent existing reports and open file seismic data. On October 16, 2007, we applied for a suspension and extension of the permit for a period of twelve months, so that if approved, the Year 2 will end on October 17, 2008. In the third permit year, we presently plan to shoot 250 km(2) of new 3D seismic survey. Should we so decide, we can elect to enter the second stage of three permit years of the initial permit term and drill one exploration well and perform further interpretational work. Geological evaluation of the permit is continuing, including the reprocessing of approximately 1,750 km(2) of the previously acquired proprietary 3D seismic over AC/P35 known as the Onnia 3D Seismic Survey, which is located within this permit.

AC/P39 (granted April 7, 2006) is located 600 km west of Darwin, immediately to the east of AC/P33 and AC/P35. It comprises 11 graticular blocks, totalling approximately 920 km(2) (2,273 acres). AC/P39 lies within 100 km of existing petroleum production facilities and along the eastern elevated flank of the Vulcan Sub-basin. There have been five wells drilled in the area, with two having oil and gas indications. In the first three years of the initial 6-year term of the AC/P39 permit, we plan to obtain a range of existing reports and open file seismic data. We have requested a 12 month suspension and extension of Year 2 in order to complete the reprocessing of 920 km(2) Onnia 3D seismic survey within the permit. The re-processing has been delayed because of the manpower constraints of the contractor, PGS. If granted the second permit year will end on April 6, 2009. In the third permit year, we plan to drill one exploration well. Geological evaluation of the permit is continuing

Alpha Oil & Natural Gas Pty Ltd on May 15, 2006 agreed to farmout 5% of its 20% interest in each of the Vulcan Joint Venture Permits to NGA (leaving Gascorp with a 15% interest) in return for the acquisition and funding of Alpha's 20% share of the new Oliver 3D seismic survey of approximately 124 km(2) and the funding of the reprocessing of approximately 2,800 km(2) of the existing Onnia 3D Seismic Survey data. The cost of the Company's share of the Oliver survey has been met entirely by NGA

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Browse Joint Venture

On April 12, 2006, we completed the acquisition of Alpha, a transaction entered into on July 1, 2004. The acquisition of Alpha was made in order to acquire a 20% interest in the Browse Joint Venture, being permits, WA-332-P, WA-333-P, WA-341-P and WA-342-P.

Following the entering into of the transaction on July 1, 2004, but prior to the agreement between being finalized, Alpha (with the approval of AOGC) sold its 20% interest in WA-341-P to a third party for an amount in excess of book value. The settlement funds received by Alpha were incorporated in funds available to AOGC, through its wholly owned subsidiary, Alpha.

The now remaining Permits of the Browse Joint Venture WA-332-P, WA-333-P and WA-342-P are contiguous and are located in the offshore Browse Basin, a part of the North West Shelf of Australia. They cover a total area of 9,460 km(2) (2,336,620 acres).

The Browse Basin region is a proven major hydrocarbon area and it forms a part of the extensive series of continental margin sedimentary basins that, together, comprise the North West Shelf hydrocarbon province of Australia. The Browse Basin has been host to a series of major gas, gas condensate and oil discoveries which began with the 1971 discovery at Scott Reef-1. The Browse Basin is currently the focus for two proposals to establish new LNG export facilities; one by Woodside Energy Ltd in relation to the Scott Reef/Brecknock complex and the other by Inpex Corporation in relation to the Ichthys complex. Two of the Browse Joint Venture permits are presently lightly explored. There is one well on the boundary of WA-332-P (Prudhoe-1), one well in WA-333-P (Rob Roy-1), and a total of fourteen wells in WA-342-P, mostly associated with the undeveloped Cornea oil and gas accumulation.

In the first three year term of the Permits, the Browse Joint Venture obtained available open file reports and basic 2D and 3D seismic data acquired by the earlier efforts of previous explorers. This included approximately 1,100 km(2) of high quality 3D seismic known as the Cornea 3D survey which is held by the Browse Joint Venture. Approximately 1,000 km(2) of this 3D data set was reprocessed by the joint venture during the 2007 year. The 3D data set has been integrated with the acquisition and processing of the 1949 line km Braveheart 2D seismic survey. The Browse Joint Venture previously completed the shooting of the Braveheart seismic survey of approximately 1,949 line km of new 2D seismic survey over these Browse Joint venture permits. The Browse Joint Venture has elected to enter a second three year permit term in which it has indicated it will drill one well in each permit. Active geological and geophysical evaluation of all of the Browse Joint Venture Permits is continuing, with special studies having been carried out in respect to the undeveloped Cornea oil and gas accumulation and the Braveheart project, which straddles WA-332-P and WA-333-P.

The Browse Joint Venture, on March 19, 2008, applied for an 18-months suspension and extension of Year 5 of permit WA-332-P in order to acquire further new 2D seismic survey over potential leads in WA-332-P and to secure a drilling vessel, which are in short supply in Australian waters. If granted, Year 5 of WA-332-P will end September 30, 2009.

On March 19, 2008, the Browse Joint Venture applied for a 12-month suspension and extension of Year 5 of the WA-333-P permit in order to allow additional time for the drilling of the Braveheart-1 well in WA-333-P. The Joint Venture has entered into a letter of intent with a drilling vessel management company, as a result of which a well is expected to be drilled on the Braveheart feature by March 31, 2009. If granted, Year-5 of WA-333-P will end on March 31, 2009.

On October 22, 2007, the Browse Joint Venture lodged a request for a variation of the permit WA-342-P so that instead of drilling a well in Year-5 the permit would require geotechnical studies, while Year-6 of the permit would require the drilling of a well. If such variation of the permit is granted, then Year-6 of the permit would commence on November 28, 2008.

While each of the three permits of the Browse Joint Venture have been offered for farmout, the participants are considering how they might meet the funding requirements for the drilling of a well or wells, should these farmout efforts not be successful. Discussions amongst the joint venture participants have focused on the formation of a special purpose Australian company, nominally Braveheart Petroleum Ltd, to acquire the Browse Joint Venture permits in return for a pro rata issue of shares to each of the Browse Joint Venture participants. The plan is for this special purpose company to seek equity funding in Australia in order to meet the significant cost of any well or wells to be drilled in each of the permits

National Gas Consortium

On April 12, 2006, we completed the acquisition of Nations Natural Gas Pty Ltd (Nations). The acquisition of Nations was entered into on September 10, 2004 and made in order to acquire an interest in the initial four permits of the National Gas Consortium, being permits, NT/P62, NT/P63, NT/P64 and NT/P65 ("Timor Sea Permits"), located in the Australian sector of the Timor Sea, offshore from the Northern Territory.

The Timor Sea covers a huge area underlain by sedimentary basins with potential for new hydrocarbon discoveries. The region has a long history of exploration activity and discovery and has now become the focus for domestic and international petroleum exploration and development activities. There have been numerous oil and wet gas discoveries to the north west in the region of the permits, including the Laminaria, Corallina and Bayu-Undan fields. The giant gas fields of Greater Sunrise, Evans Shoal, Caldita and Barossa are to the north and east of the permits. Recent Plover Formation discoveries have been made in the Heron-2 well and the Blackwood-1well, in a permit immediately north of NT/P63 and immediately south of NT/P65.

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

On August 8, 2006, our wholly owned subsidiary, Nations, together with the other joint venturers in the National Gas Consortium were granted petroleum exploration permits NT/P71 and NT/P72 for an initial 6-year term. Permits NT/P71 and NT/P72, which cover a total area of approximately 17,380 km(2) (4,294,772 acres), are located in the Australian sector of the Timor Sea, and are held by the National Gas Consortium, which holds the contiguous NT/P62, NT/P63 and NT/P64 permits to the immediate west.

The National Gas Consortium now holds six permits aggregating approximately 32,255 km(2) (7,970,533 acres) namely, NT/P62, NT/P63, NT/P64, NT/P65, NT/ P71 and NT/P73, all within jurisdiction of Australia.

The Company on June 15, 2006, agreed to farmout 6% of its 30% interest in each of the Timor Sea Permits to National Gas Australia Pty Ltd (leaving Nations with a net 24% interest) in return for the acquisition and funding of Nations 30% share of the new Sunshine 2D seismic survey (887 kms) and Kurrajong 2D seismic survey (3,291 km) which were acquired in November 2006. The cost of the Company's share of the Sunshine and Kurrajong surveys has been met entirely by NGA.

The Company on June 16, 2008, agreed to farmout a further 3% of its 24% interest in each of the Timor Sea Permits to National Gas Australia Pty Ltd (leaving Nations with a net 21% interest) in return for National Gas Australia Pty Ltd spending AU$1.6 million on Joint Venture exploration costs. This amount has been met by NGA.

On November 16, 2007, the members of the National Gas Consortium applied for a 12-month extension of Year 4 of each of the permits NT/P62, NT/P63, NT/P64 and NT/P65 in order to complete the interpretation of the new Sunshine and Kurrajong 2D seismic data sets, in conjunction with interpretation of pre-existing 1,349 line km Jacaranda 2D seismic data set and 1,377 line km Halimeda 2D seismic survey data set, both of which have been reprocessed. If granted, then Year-4 of each of these permits would end on December 31, 2008.

The Timor Sea permits have been offered for farmout, with a number of international companies presently considering the acreage. In the meantime, the National Gas Consortium Joint Venture participants are considering how they might meet the funding requirements for the drilling of a well or wells, should these farmout efforts not be successful. Discussions amongst the joint venture participants have more recently focused on the formation of a special purpose company to be formed to acquire the National Gas Consortium Joint Venture permits in return for a pro rata issue of shares to each of the joint venture participants. This special purpose public company would then seek equity funding in Australia in order to meet the significant cost of any well or wells to be drilled in the permits.

Eastern Bonaparte Basin
NT/P70 Joint Venture

On October 10, 2005, the Australian Government granted a petroleum exploration permit, NT/P70, for an initial 6-year term. The Company initially held a 100% interest in the permit and now holds an 80% interest as the result of farmout (see below).

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

AOGC agreed on June 15, 2006, to farmout 20% of its 100% interest in NT/P70 to NGA in return for the acquisition and funding by NGA of the new 800 line km Crocodile 2D seismic survey, subsequently acquired in the NT/P70 permit. Subsequently AOGC has transferred it's 80% interest to it's wholly owned subsidiary Alpha Oil & Natural Gas Pty Ltd.

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

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

The Warawi prospect and the Crocodile prospect are the major focus of our work in NT/P70.

The NT/P70 permit has been offered for farmout, with a number of international companies presently considering the acreage

NT/P73

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

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

Our work to date has focused on the Stillwater feature of the NW corner of NT/P73. The NT/P73 permit has been offered for farmout, with a number of international companies presently considering the acreage

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

Management The Company relies upon its Chairman and President, who also holds the position of Chief Executive Officer and Chief Financial Officer, Mr. E Geoffrey Albers, to manage the Company's operations and to identify and acquire interests in oil and gas prospects. The Company has previously entered into an agreement with Mr. Albers to secure his services on a part-time basis for a 3-year period, with a commencement date effective from January 1, 2005. As the Company's cash resources are limited, the board agreed to remunerate Mr. Albers by issuing common stock in lieu of cash payments. Specifically, the Company issued 2,500,000 shares of Common Stock to Mr. Albers for his services in relation to the period from January 1, 2005 to December 31, 2005. A further 2,000,000 shares of Common Stock were issued to him for his services for the period from January 1, 2006 to December 31, 2006 A further 1,500,000 shares of Common Stock were issued to him for his services for the period from January 1, 2007 to December 31, 2007. The Company is negotiating with Mr. Albers with respect to the continuation of his services for a further 3-year period effective from January 1, 2008.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We do not engage in transactions in derivative financial instruments or derivative commodity instruments. As of June 30, 2008, our financial instruments were not exposed to significant market risk due to interest rate risk, foreign currency exchange risk, commodity price risk or equity price risk.

Item 4. 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 June 30, 2008. 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.

Part 11. OTHER INFORMATION

Item 6. Exhibits

List of Exhibits

31.1 Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

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

SIGNATURES

Pursuant to the requirements 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,
Chief Executive Officer and
Chief Financial Officer
August 11, 2008