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AUSTRALIAN OIL & GAS CORP
Form 10QSB
May 15, 2007

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

FORM 10-QSB

(Mark One)

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

For the quarterly period ended: March 31, 2007

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

For the transition period from _____ to _____

Commission file number 000-26721

AUSTRALIAN OIL & GAS CORPORATION

(Exact name of Registrant as Specified in its Charter)

Delaware

84-1379164

(State or other jurisdiction of
incorporation of organization)

(IRS Employer Identification Number)

2480 North Tolemac Way, Prescott, Arizona 86305

(Address of principal executive offices)

Issuer's Telephone Number: (928) 778 1450

Internet Website: www.ausoil.com

NOT APPLICABLE

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

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

Yes No

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

35,900,531 shares of common stock, \$0.001 par value, as of March 31, 2007.

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

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AUSTRALIAN OIL & GAS CORPORATION

For the Quarterly Period Ended: March 31, 2007

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Item 1. Financial Statements (Unaudited)

Australian Oil & Gas Corporation

(a development stage enterprise)

CONSOLIDATED BALANCE SHEETS

March 31, 2007 (Unaudited) and December 31, 2006 (Audited)

ASSETS

(Dollar amounts in thousands)

	As at 3/31/07 (Unaudited)	As at 12/31/06 (Audited)
	\$	\$
Current assets:		
Cash and cash equivalents	701	734

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Other receivables	--	3
	----	----
Total Current Assets	701	737
	----	----
Total Assets	701	737
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade and other payables	113	22
Payables to director related entities	73	50
Income tax expense payable	1	26
	----	----
Total Current Liabilities	187	98
	----	----
Non-current liabilities:		
Convertible Notes	283	276
	----	----
Total Non-current Liabilities	283	276
	----	----
Total Liabilities	470	374
	=====	=====
Stockholders' Equity		
Common stock, \$0.001 par value;75,000,000 shares authorized, 35,900,531 shares issued and outstanding		
	28	28
Capital in excess of par value	948	948
Accumulated other Comprehensive Income	195	155
Deficit accumulated during the development stage	(940)	(768)
	----	----
Total Stockholders' Equity	231	363
	----	----
Total Liabilities and Stockholders' Equity	701	737
	=====	=====

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

Australian Oil & Gas Corporation
(a development stage enterprise)
CONSOLIDATED STATEMENT OF OPERATIONS For
the three months ended March 31, 2007 and 2006
for the period from inception (August 6, 2003) to March 31, 2007

(Dollar amounts in thousands)

For the three For the three From months
ended months ended inception to Mar 31, 2007
Mar 31, 2006 Mar 31, 2007

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	\$	\$	\$
Expenses			
Compensation expense	41	50	491
Exploration	106	-	183
General and administrative	25	13	369
Interest	7	6	62
Currency exchange loss	-	-	60
Merger and reorganization	-	-	139
	-----	-----	-----
Total operating expenses	179	69	1,304
	-----	-----	-----
Loss before other income and extraordinary item	(179)	(69)	(1,304)
	-----	-----	-----
Other Income		-	
Interest income	7	-	35
	-----	-----	-----
Loss before extraordinary item	(172)	(69)	(1,269)
	-----	-----	-----
Extraordinary Items			
Gain on purchase of subsidiaries, net of tax	-	-	306
	-----	-----	-----
Loss before income taxes	(172)	(69)	(963)
	-----	-----	-----
Income tax provision	-	-	23
	-----	-----	-----
Net Loss	(172)	(69)	(940)
	=====	=====	=====
Loss per Common Share:			
Loss before extraordinary item	\$ 0.00	\$ 0.00	\$ (0.04)
Extraordinary item	\$ 0.00	\$ 0.00	\$ 0.01
Net Loss	\$ 0.00	\$ 0.00	\$ (0.03)
Weighted average common share used in calculation	34,709,804	29,800,528	29,425,283
	=====	=====	=====

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

Australian Oil & Gas Corporation
(a development stage enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS for
the three months ended March 31, 2007 and 2006 (Unaudited)
and for the cumulative period from August 6, 2003 (Date of Inception)
to March 31, 2007 (Unaudited)

(Dollar amounts in thousands - except per share data)

For the three months ended March 31, 2007	For the three months ended March 31, 2006	Cumulative from M
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	\$	\$
Cash flows from operating activities:		
Net loss	(172)	(69)
Adjustments for non-cash items:		
Compensation expense	41	-
Increase in convertible notes	7	6
Extraordinary Gain (net of tax)	-	-
	-----	-----
	(124)	(63)
Adjustments to reconcile net loss to net cash used in operating activities:		
Change in assets and liabilities:		
Decrease in receivables	3	-
Decrease in income tax payable	(24)	-
Increase in accrued expenses and payables	9	68
	-----	-----
Total adjustments	(12)	68
Net cash provided by (used in) operating activities	(136)	5
	-----	-----
Cash flows from investing activities:		
Cash from acquired subsidiary	-	-
Purchase of shares in director-related entities	-	-
	-----	-----
Net cash from/(used in) investing activities	-	-
	-----	-----
Cash flows from financing activities:		
Payments from director-related entities	-	-
Payments to director-related entities	-	-
Proceeds from the sale of common stock - net	-	-
	-----	-----
Net cash provided by financing activities	-	-
	-----	-----
Increase/ (decrease) in cash	(136)	5
Cash and cash equivalents at beginning of period	734	10
Effect of currency exchange rate fluctuations on cash held	103	-
	-----	-----
Cash and cash equivalents at end of period	701	15
	=====	=====
Supplemental disclosure of non-cash activities:		
Great Missenden Holdings Pty Ltd charged:-		
Administration Fees	15	-
Interest	7	6
Compensation awarded to EG Albers	41	-
Issuance of Stock	-	-

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

Australian Oil & Gas Corporation
(a development stage enterprise)

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NOTES TO FINANCIAL STATEMENTS (UNAUDITED)

The accompanying interim financial statements of Australian Oil & Gas Corporation are unaudited. However, in the opinion of management, the interim data includes all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim period. The results of operations for the period ended March 31, 2007 are not necessarily indicative of the operating results for the entire year. The interim financial statements should be read in conjunction with our Annual Report on Form 10-KSB for the year ended December 31, 2006.

Note 1: Organization

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

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

The authorized capital stock of the Australian Oil & Gas Corporation consists of 75,000,000 shares of common stock, \$0.001 par value.

Note 2: Related Party Transactions

Mr. E Geoffrey Albers is a director and shareholder of each of Great Missenden Holdings Pty Ltd and of Setright Oil & Gas Pty Ltd. Effective from April 4, 2005, in return for the previous advances of \$212,000, the Company issued to Great Missenden Holdings Pty Ltd 212 Series I Convertible Notes of \$1,000 each, with an interest coupon of 10% per annum, convertible into shares of Common Stock at any time on or before December 31, 2007 on the basis of 12,500 shares of Common Stock for every \$1,000 Convertible Note or part thereof. Effective from April 26, 2005, Great Missenden Holdings Pty Ltd approved a further \$100,000 Line of Credit to the Company in return for the issue to Great Missenden Holdings of 100 Series II Convertible Notes of \$1,000 each with an interest rate of 10% per annum, convertible into shares of Common Stock at any time on or before 31 December, 2008 on the basis of 10,000 shares of Common Stock for every \$1,000 Series II Convertible Notes or part thereof. As at March 31, 2007, an amount of \$71,000 had been drawn down pursuant to the \$100,000 Line of Credit, which were converted into these Series II Convertible Notes. Great Missenden Holdings Pty Ltd charged \$6,822 for interest on all advances and \$5,128 for corporate services during the quarter. Setright Oil & Gas Pty Ltd charged the Company \$15,015 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 25, 500 Collins Street, Melbourne, Victoria. The office space is taken on a nonexclusive basis, with no rent payable, but the usage of the premises is included in the charges Setright Oil & Gas Pty Ltd makes in respect to the administration of the Company.

Mr. Albers is a director and shareholder in the joint venture participants with 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.

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

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

With regard to the National Gas Consortium, Mr. Albers is a director and shareholder in each of National Oil & Gas Pty Ltd, Australian Natural Gas Pty Ltd.

Expenditure incurred by National Gas Australia Pty Ltd has resulted in, National Gas Australia Pty Ltd earning a 20% interest in each of NT/P62, NT/P63, NT/P64, NT/P65, NT/P71 and NT/P72, (National Gas Consortium), of which 6% was earned from Nations.

As a result of incurring expenditures, National Gas Australia Pty Ltd has earned a 25% interest in each of AC/P33, AC/P35 and AC/P39 (Vulcan Joint Venture), 5% of which was earned from AOGC subsidiary, Alpha.

Note 3: Current Liabilities

At March 31, 2007 the Company recorded a liability to Setright Oil & Gas Pty Ltd and Great Missenden Holdings Pty Ltd of \$15,015 and \$5,128, respectively, as set out in Note 2 Related Party Transaction.

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

Forward-looking statements

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

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

Plan of Operation

General Australian Oil & Gas Corporation is an independent energy company focused on the acquisition and exploration for oil and natural gas resources.

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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. We retain selected consultants, contractors and service companies. We use proven technologies in evaluating the prospectivity of our oil and gas properties. We expect to invest in projects at different levels of participation, including 100% ownership. We plan to maintain as high a percentage of participation as can be prudently managed. We will focus on areas considered to have speculative near term potential for oil discovery or medium term potential for gas discovery. An important part of our strategy is to select prospective acreage which, at the seismic or drilling stage, can be farmed out and/or developed in conjunction with other industry players so as to minimize our financial outlay requirements, wherever possible, through promoted transactions. Our overall intention is to provide maximum leverage for shareholders at minimal cost, in return for the high risk activities that we undertake.

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

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

Vulcan Joint Venture

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

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

AC/P33 includes the undeveloped Oliver oil and gas accumulation, drilled by the now plugged and abandoned Oliver-1 well. AC/P33 comprises five graticular blocks, totaling approximately 400 km² (98,800 acres). In the first three years of the initial 6-year term of permit AC/P33, the joint venture participants have obtained a range of existing reports and open file seismic

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data and have mapped, interpreted and revised analyses and concepts for the area. The joint venture has carried out enhancement of existing seismic data around the Oliver feature, and has examined various techniques for the potential use to provide direct hydrocarbon indicators. As a 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. Should the joint venture so decide, it can elect to enter the second three years of the initial permit and drill one exploration well and perform further interpretational work. Active geological and geophysical evaluation of the permit continues including processing of the Oliver Seismic Survey and reprocessing of part of the immediately adjacent Onnia 3D Seismic Survey in the vicinity of the Oliver-1 well.

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

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

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

Browse Joint Venture

On April 12, 2006, we completed the acquisition of Alpha, a transaction entered into in 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. The shareholders of Alpha on August 29, 2006 have received 2,000,002 shares of common stock in AOGC and were paid AUD\$100,000.

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 were received by Alpha and since April 12, 2006, have been incorporated in funds available to AOGC, through its new wholly owned

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subsidiary, Alpha.

The now remaining Permits of the Browse Joint Venture WA-332-P, WA-333-P and WA-341-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 km² (2,336,620 acres).

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

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

In the first three year term of the Permits, the Browse Joint Venture committed to obtain available open file reports and basic 2D and 3D seismic data acquired by earlier efforts of previous explorers. This included approximately 1,100 km² of high quality 3D seismic known as the Cornea 3D survey which is held by the Browse Joint Venture. Approximately 1,000 km² of this 3D data set is being reprocessed. The data sets will be integrated with the acquisition and processing of the recent 1949 line km Braveheart 2D seismic survey to infill the existing grid of data, with lead specific coverage. Should the Browse Joint Venture so decide, it can elect to enter a second three year permit term and in which it has indicated it will drill one well in each permit. Active geological and geophysical evaluation of all of the Browse Joint Venture Permits is continuing, with special studies having been carried out in respect to the undeveloped Cornea oil and gas accumulation.

National Gas Consortium

On April 12, 2006, we completed of 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 shareholders of Nations on August 29, 2006 have received 2,100,001 shares of common stock in AOGC and AUD\$50,000 as consideration for Nations.

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.

On August 8, 2006, our wholly owned subsidiary, Nations, together with the

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other joint venturers in the National Gas Consortium were granted petroleum exploration permits NT/P71 and NT/P72 for an initial 6-year term. Nations now hold a net 24% interest in these permits, following the farmout of seismic commitments (see below). The new permits, which are located in the Australian sector of the Timor Sea, are held by the National Gas Consortium, which holds the contiguous NT/P62, NT/P63 and NT/P64 permits to the immediate west.

The new Permits cover a total area of approximately 17,380 km² (4,294,772 acres). The National Gas Consortium now holds six permits aggregating approximately 32,255 km² (7,970,533 acres) including the new permits NT/P71 and NT/P72 and the four permits already held, namely, NT/P62, NT/P63, NT/P64 and NT/P65.

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

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

Eastern Bonaparte Basin
NT/P70 Joint Venture

On October 10, 2005, the Australian Government granted a petroleum 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 km² (1,821,200 acres) and is located in the eastern Timor Sea, about 300 km north of Darwin, and 250 km northeast of the proposed Darwin to Bayu-Undan gas pipeline. The Greater Sunrise, Evans Shoal, Barossa and Caldita gas accumulations are located to the west and southwest of the NT/P70 permit area.

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

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

We have obtained a range of pertinent existing reports and open file seismic data and, with this data, have mapped, interpreted and revised analyses and concepts for the area. We presently plan to shoot 300 km² of 3D seismic survey, following interpretation of the 800 line km Crocodile 2D seismic survey acquired during the year. Should we so decide, we can elect to enter the second three years of the initial permit term and drill one exploration well and perform further interpretational work. There have been no wells drilled in the permit.

NT/P73

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On March 27, 2007, the Australian Government granted to our subsidiary, Alpha, a petroleum exploration permit, NT/P73, for an initial 6-year term. The Company holds a 100% interest in the permit. NT/P73 is located to the immediate south west of NT/P70 and covers an area of 6,815 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 plan to obtain existing reports and open file seismic data and, with this data, to map, interpret and revise analyses and concepts for the area. We presently plan to shoot 2,000 line km of 2D in the third year of the permit. Should we so decide, we can elect to enter the second three years of the initial permit term and drill one exploration well and perform further interpretational work. There have been no wells drilled in the permit area.

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

Management The Company relies upon its Chairman and President, who also holds the position of Chief Executive Officer and Chief Financial Officer, Mr. E Geoffrey Albers, to manage the Company's operations and to identify and acquire interests in oil and gas prospects. The Company has entered into an agreement with Mr. Albers to secure his services on a part-time basis for a 3-year period, with a commencement date effective from January 1, 2005. As the Company's cash resources are limited, the board has 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 (the financial statements for the quarter have accrued \$41,250 representing a pro-rata amount of this compensation). A further 1,500,000 shares of Common Stock will be issued to him for his services for the period from January 1, 2007 to December 31, 2007.

Funding As a development 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

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addition, look to project loan finance.

Item 3. 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 March 31, 2007. This evaluation was carried out under the supervision and with the participation of our Chief Executive. Based upon that evaluation, our Chief Executive and Financial Officer concluded that our disclosure controls and procedures are effective in timely alerting management to material information relating to us required to be included in our periodic SEC filings. There have been no significant changes in our internal controls subsequent to the date we carried out our evaluation.

Disclosure controls and procedures are controls and other procedures that are designed to ensure that information required to be disclosed in our reports filed or submitted under the 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 in our reports filed under the Exchange Act is accumulated and communicated to management, including our Chief Executive, to allow timely decisions regarding required disclosure.

Part 11. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

No Reports on Form 8-K were filed during the quarter.

List of Exhibits

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

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

SIGNATURES

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

AUSTRALIAN OIL & GAS CORPORATION

By: /s/ E. Geoffrey Albers

E. Geoffrey Albers,
Chief Executive Officer and
Chief Financial Officer

May 14, 2007

