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AUSTRALIAN OIL & GAS CORP  
Form 10-K  
March 31, 2009

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, 2008

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  
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84-1379164  
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(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer Identification No.)

Level 21, 500 Collins Street  
Melbourne Victoria Australia  
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3000  
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(Address of principal executive offices)

(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  
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(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 pursuant to section 13 or 15(d) of the Exchange Act.  Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act of 1934 during the preceding 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

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the past 90 days. Yes  No

Indicate by check mark 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 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, 2008), held by non-affiliates was \$616,937. 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 30, 2009, 43,450,531 shares of common stock were outstanding.

Documents incorporated by reference: None

### 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

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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.

We hold interests in many of our properties through our 100% owned subsidiaries; Alpha Oil & Natural Gas Pty Ltd, Nations Natural Gas Pty Ltd, Vulcan Australia Pty Ltd(\*) and Braveheart Oil & Gas Pty Ltd(\*). Properties referred to in this document may be held by those subsidiaries. We treat all operations as one line of business.

\* Newly incorporated in 2008

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

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When acquisition opportunities are identified, small operational and technical teams participate in the evaluation process, enabling our Company to move quickly to execute exploration strategies. Over time we plan to build a team that will have the technical knowledge and sense of urgency to maximize value. Our local knowledge of Australian producing basins and our proactive culture provide a potential platform for growth through our strategy of acreage acquisition, prospect development and farmout. An integral part of our plan is 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 constantly rebalance our portfolio and generate new prospects.

We regard Australia as a relatively immature oil and gas country, with particular prospectivity for natural gas, so that our exploration strategy provides the potential exposure to larger gas/liquids targets which may ultimately establish significant production and reserves through successful drilling. Our technological experts are encouraged to develop strategies for rapid and cost-effective acquisition, processing and interpretation of seismic data, enabling our technical teams to analyse large areas of acreage, to acquire

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new seismic data, to generate drilling prospects and to relinquish acreage when it is found to be insufficiently prospective to warrant further exploration or where we are unable to raise capital for its exploration.

Industry experts project declines in natural gas production from traditional sources and significant increases in U.S. and Asian natural gas demand over the next 20 years. LNG sourced natural gas may provide a significantly larger share of the natural gas market. We 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 exploration acreage.

We consider that we are now well positioned to pursue these oil and natural gas exploration objectives for the following reasons:

- o Our success in acquiring gas prospective acreage is expected to provide opportunities to farmout and joint venture with other established oil and gas companies, as well as the possibility to joint venture with them in additional exploratory prospects;
- o We possess a significant exploration acreage portfolio in the Browse Basin and Bonaparte Basin region offshore Australia (see "Oil and Gas Interests and Properties" below);
- o We are intent on building a broad-based team with significant experience in the use of structural geology, augmented by 3D seismic technology, and in drilling prospects.
- o We own or have rights to an extensive seismic database, including 6,500 km(2) of new 2D seismic and some 3,500 km(2) of 3D seismic data;
- o We are conducting intensive evaluations of our acreage and are in the process of identifying exploration prospects, some of which are high-risk, high-potential, gas and oil prospects.

We have focused on the Bonaparte Basin and Browse Basin region because:

- o We have acquired a significant permit portfolio in these regions;
- o We have developed significant expertise and have an extensive database of information about the geology and geophysics of this region;
- o We believe there are significant reserves in this region that have not yet been discovered; and

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- o The construction of infrastructure for efficiently developing, producing, transporting and processing natural gas is being actively promoted or has been initiated in the region by others.

### Background to Australian Offshore Permits

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To gain control of offshore exploration areas in Australia, a Petroleum Exploration Permit ("Permit") must be 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)

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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.

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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 recognised 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.

As an exploration stage enterprise, the Company has relied and continues to rely on infusions of cash for working capital purposes through the advances of Great Missenden Holdings Pty Ltd, an affiliated company associated with our President, Mr.E.G. Albers. 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, the latter course of action being a vital part of management's overall strategy. It is also part of our plan that funds

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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

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The Company holds interests in 14 petroleum exploration permits in the offshore areas adjacent to Australia.

| Permit   | Geological<br>Basin/Sub Basin | Percentage<br>Held | Joint Venture Name      |
|----------|-------------------------------|--------------------|-------------------------|
| -----    | -----                         | -----              | -----                   |
| AC/P33   | Vulcan                        | 7.5%               | Oliver                  |
| AC/P35   | Vulcan                        | 15%                | Vulcan                  |
| AC/P39   | Vulcan                        | 15%                | Nome                    |
| WA-332-P | Browse                        | 17%                | Browse (Braveheart)     |
| WA-333-P | Browse                        | 17%                | Browse (Braveheart)     |
| WA-342-P | Browse                        | 17%                | Cornea                  |
| NT/P62   | Bonaparte                     | 21%                | National Gas Consortium |
| NT/P63   | Bonaparte                     | 21%                | National Gas Consortium |
| NT/P64   | Bonaparte                     | 21%                | National Gas Consortium |
| NT/P65   | Bonaparte                     | 21%                | National Gas Consortium |
| NT/P70   | Bonaparte                     | 80%                | Crocodile               |
| NT/P71   | Bonaparte                     | 21%                | National Gas Consortium |
| NT/P72   | Bonaparte                     | 21%                | National Gas Consortium |
| NT/P73   | Bonaparte                     | 100%               | Stillwater              |

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.

### Reserve Estimates

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

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### Production

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

### Productive Wells and Acreage

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

### Underdeveloped Acreage

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

### Drilling Activity

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We and our joint venturers are making preliminary plans for the drilling of Oliver-2 in permit AC/P33 and for the drilling of Braveheart-1 in WA-333-P.

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## Current Activities and Plans

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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

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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 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

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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 regulation; and reclamation requirements, must be satisfied. 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.

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## Employees

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As of December 31, 2008, 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 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 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

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not exclusive.

Our future performance is difficult to evaluate because we have a limited operating history and do not own 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 help you 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.

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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 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 with 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



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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 uneconomical. Further, many factors may curtail, delay or cancel drilling, including the following:

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

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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:

- o 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;
- o abnormally pressured formations;
- o mechanical difficulties, such as stuck oilfield drilling and service tools and casing collapse;
- o fires and explosions;
- o personal injuries and death; and
- o 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

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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 the Offshore Petroleum and Greenhouse Gas Storage Act 2006 (Commonwealth of Australia) and all regulations, directions and guidelines made thereunder. 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:

- o permit work program requirements;
- o environmental approvals;
- o seismic work program approvals
- o permits for drilling operations;
- o drilling bonds;
- o development and production approvals;
- o unitization and pooling of properties; and
- o taxation.

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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

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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.

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We may depend on industry partners and could be seriously harmed if they do not perform satisfactorily, 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

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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.

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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.

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### 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 Setright Oil & Gas Pty Ltd., (an affiliate of the Company by virtue of common management, ownership and control) makes in respect to the administration of the Company.

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 Sub-basin Interests, Territory of Ashmore and Cartier Islands, Australia (AC/P33, AC/P35 and AC/P39)

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. The permits are within the Territory of Ashmore and Cartier Islands, an Australian offshore territory.

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The Territory of the Ashmore and Cartier Islands ("the Territory") was ceded from Britain and accepted by the Commonwealth of Australia ("Commonwealth") in 1933. The responsibility for the administration of the Territory was transferred from the Northern Territory of Australia ("Northern Territory") to the Commonwealth when a level of self-government was instituted in the Northern Territory in 1978.

Petroleum extraction activities in the area within the Territory are administered on behalf of the Commonwealth by the Northern Territory Department of Mines and Energy through the Designated Authority protocol operating pursuant to the Offshore Petroleum and Greenhouse Storage Act 2006 (Commonwealth).

Commonwealth laws, laws of the Northern Territory and Ordinances made by the Governor-General make up the body of law generally applicable in the Territory.

The Territory comprises West, Middle and East Islands of Ashmore Reef, Cartier Island and the territorial sea generated by those islands. The islands are uninhabited, small, low and composed of coral and sand, with some grass cover.

The Territory is located on the outer edge of the continental shelf in the Indian Ocean approximately 320 km off Australia's north-west coast and 144 kilometres south of the Indonesian Island of Roti. The Jabiru and Challis oil fields are located within the Territory, as are numerous other oil and gas accumulations and occurrences.

We acquired our initial 20% interest in the Vulcan Sub-basin permits as a result of the acquisition of Alpha Oil & Natural Gas Pty Ltd ("Alpha") in 2006.

On May 15, 2006 Alpha agreed to farmout 5% of its 20% interest in each of the Vulcan Sub-basin Permits to National Gas Australia Pty Ltd ("NGA") (leaving Alpha with a 15% interest) in return for the acquisition and funding of Alpha's 20% share of the new Oliver 3D seismic survey of approximately 124 km<sup>2</sup> and the

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funding of the cost of reprocessing of approximately 2,800 km<sup>2</sup>) of the existing Onnia 3D Seismic Survey data, relevant to all of AC/P33, AC/P35 and AC/P39. The cost of the Company's share of the Oliver survey and the Onnia reprocessing has thus been met entirely by NGA.

We have subsequently farmed out half of our interest in AC/P33 to Stuart Petroleum Limited ("Stuart") (see Oliver Joint Venture below), leaving Alpha with a 7.5% interest.

Our wholly owned subsidiary, Alpha, has established a wholly owned subsidiary named Vulcan Australia Pty Ltd ("Vulcan") and has transferred its interests in each of its Timor Sea permits, AC/P33, AC/P35 and AC/P39 to Vulcan. Another participant in the Vulcan Permits, Natural Gas Australia Pty Ltd, has transferred its interests to its wholly owned subsidiary Petrocorp Australia Pty Ltd.

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In addition, the joint venture operating agreement, which previously governed joint venture operations in all three of the permits, has been replaced by new separate joint venture agreements for each permit. The new joint ventures are known as Oliver Joint Venture (AC/P33), Vulcan Joint Venture (AC/P35) and Nome Joint Venture (AC/P39).

Oliver Joint Venture (AC/P33)

Our wholly owned subsidiary, Vulcan, following farmout of drilling and development commitments to Stuart, (see below) now holds a 7.5% interest in the Oliver Joint Venture permit, AC/P33, in joint venture with Stuart (50%) now the designated operator, and our joint venture affiliates; Petrocorp Australia Pty Ltd ("Petrocorp") (12.5%), Natural Gas Corporation Pty Ltd (NGC) (15%) and Auralandia N.L. (Auralandia) (15%).

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, totalling approximately 400 km<sup>2</sup> (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 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<sup>2</sup> (acres) of new high quality enhanced parameter 3D seismic survey, known as the Oliver 3D Seismic Survey. The survey was conducted over the Oliver feature and part of its extension to the east. 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, has been concluded. The joint venture has elected to enter the second three years of the initial permit and the farminee, Stuart, plans to drill one exploration well prior to the end of 2009, and to perform further interpretational work at its cost. Active geological and geophysical evaluation of the permit continues.

Stuart's earn-in obligations will be satisfied by sole funding the drilling of an appraisal well on the Oliver feature, completion of engineering studies up to Final Investment Decision for development of an oilfield and sole funding the first \$25 million of development expenditure. The first phase of development of the Oliver field - drilling the appraisal well, Oliver 2, and completing engineering studies - is expected cost \$60 million and to be complete late in 2010.

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The Oliver field, containing a column of oil, gas and condensate, was discovered by a BHP Petroleum operated consortium in 1988. The Oliver 1 well was drilled in 305 metres of water to a depth of 3,500 metres. The well encountered the column in the Plover Formation between 2,927 metres and 3,097 metres.

Stuart's interpretation of the recently acquired Oliver 3D seismic data over the Oliver field resulted in Stuart's estimated potential recoverable liquids in the range of 9.9 million barrels to 33 million barrels of oil and condensate with a mean joint venture volume of 19.3 million barrels. According to Stuart, these estimates have been independently reviewed and confirmed. They are not independently verified reserves, but are estimates only provided to the joint venture participants for preliminary planning and feasibility purposes.

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Studies to identify economic development alternatives and to determine viability have been commenced by Stuart and are expected to be followed by the Oliver 2 appraisal well to confirm the size of the field. The semi-submersible drilling rig, Songa Venus, has been contracted by Stuart to drill this well at Stuart's cost in mid-2009. In the event of a successful outcome, further economic viability and development studies will then determine whether and how to best develop the field.

Equity participants in permit AC/P33 presently are:

|                                            | %    |
|--------------------------------------------|------|
| Stuart Petroleum Limited (Operator)        | 50.0 |
| Natural Gas Corporation Pty Ltd            | 15.0 |
| Auralandia NL                              | 15.0 |
| Petrocorp Australia Pty Ltd                | 12.5 |
| Vulcan Australia Pty Ltd (AOGC subsidiary) | 7.5  |

The Company is considering how it might meet future funding requirements of its subsidiary Vulcan, with respect to funding of any Oliver development. Discussions amongst the non-Stuart joint venture participants has focused on the concept of each of the participants, other than the operator Stuart and other than Auralandia, selling their interest in each of the Vulcan Sub-basin permits to Auralandia or another jointly sponsored company in return for an appropriate pro rate issue of shares. Auralandia has signified that it is open to proposals which would see it as the corporate vehicle for unifying 50% of the interests in this manner. The Company is investigating this concept and plans to participate, pending further investigations and finalization in an appropriate commercial arrangement. Capital would thus be required by the entity for further appraisal and development drilling and development of Oliver, but would relieve the Company of any direct cost commitment to any of the Vulcan Sub-basin permits (AC/P33, AC/P35 and AC/P39).

Vulcan Joint Venture (AC/P35)

AC/P35 (granted October 18, 2005) is located immediately to the north of AC/P33. It comprises 46 graticular blocks, totalling approximately 3,410 km<sup>2</sup> (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 have obtained a range of pertinent existing reports and open file seismic data. We have applied for a variation and suspension and extension of the permit for a period of twelve months. In the third permit year, we presently plan to shoot up to 250 km<sup>2</sup> 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, if warranted, drill one exploration well and perform further interpretational work.

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Geological evaluation of the permit is continuing. 1,750 km(2) of the previously acquired proprietary 3D seismic over AC/P35 known as the Onnia 3D Seismic Survey has been reprocessed. We are assessing the need for and possible locations of a further 3D seismic survey.

The participants in the Vulcan Joint Venture are:

|                                 | %    |
|---------------------------------|------|
| Auralandia NL (Operator)        | 30.0 |
| Natural Gas Corporation Pty Ltd | 30.0 |
| Petrocorp Australia Pty Ltd     | 25.0 |
| Vulcan Australia Pty Ltd        | 15.0 |

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Nome Joint Venture (AC/P39)

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 have obtained a range of existing reports and open file seismic data. We 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 now been completed, but was delayed because of the manpower constraints of the contractor, PGS. In the third permit year, subject to maturing the current leads to drillable prospects, we presently plan to drill one exploration well. Geological evaluation of the permit is continuing, including the assessment of risk as to whether any leads are of sufficient quality to warrant the risk and cost of drilling.

The participants in the Nome Joint Venture are:

|                                 | %    |
|---------------------------------|------|
| Auralandia NL (Operator)        | 30.0 |
| Natural Gas Corporation Pty Ltd | 30.0 |
| Petrocorp Australia Pty Ltd     | 25.0 |
| Vulcan Australia Pty Ltd        | 15.0 |

BROWSE BASIN INTERESTS, OFFSHORE FROM WESTERN AUSTRALIA  
- WA-332-P, WA-333-P and WA-342-P

On April 12, 2006, we completed the acquisition of Alpha Oil & Natural Gas Pty Ltd ("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, 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 this wholly owned subsidiary, following completion of the Alpha purchase.

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



The Browse Basin region is a major proven 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 Torosa/Brecknock/Calliance 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 has 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 Braveheart 2D seismic survey. The Browse Joint Venture previously acquired 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 presently is planning for the drilling of Braveheart 1 in WA-333-P. 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 (in WA-342-P) and the Braveheart project, which straddles both WA-332-P and WA-333-P.

#### Browse Joint Venture

The Browse Joint Venture, which comprises WA-332-P and WA-333-P, 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 infill 2D seismic survey over potential leads in WA-332-P and to secure a drilling vessel. If granted, Year 5 of WA-332-P will end September 30, 2009.

On March 19, 2008, the Browse Joint Venture also 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 in early 2010. If granted, Year-5 of WA-333-P will end on March 31, 2010. Further extensions may be necessary.

Our wholly owned subsidiary, Alpha, together with its joint venturers, entered into a farmout agreement with respect to WA-332-P, WA-333-P and WA-342-P ("Permits") with Gascorp Australia Pty Ltd ("Gascorp") whereby Gascorp has agreed to earn a 15% interest in each of the Permits in return for the obligation of Gascorp to expend \$1,120,000 in acquiring approximately 490 line kilometres of new 2D seismic data in the Permits and in acquiring a drill site survey in order to determine a specific location to test the Braveheart prospect. The surveys provided coverage of leads within WA-332-P as well as assisting in the determination of the location of the Braveheart 1 well. As a result of this farmout, Alpha's interest in each of the three permits has reduced from 20% to 17%.

In addition to this farmout, the participants in each of the WA-332-P and

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WA-333-P Permits have elected to form new 100% owned subsidiary companies and have agreed to transfer their respective interests to such wholly owned subsidiaries. Alpha has incorporated Braveheart Oil & Gas Pty Ltd as a wholly owned subsidiary to which it has assigned its residual 17% interest in each of these Permits. These transactions have been submitted to the Designated Authority (Commonwealth of Australia) for approval.

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Participants in the Browse Joint Venture presently are:

|                                                                        |        |
|------------------------------------------------------------------------|--------|
| Braveheart Resources Pty Ltd (subsidiary of Exoil Limited) (Operator)  | 29.75% |
| Braveheart Petroleum Pty Ltd (subsidiary of Batavia Oil & Gas Pty Ltd) | 29.75% |
| Browse Petroleum Pty Ltd (subsidiary of Gascorp Australia Pty Ltd)     | 15.00% |
| Braveheart Oil & Gas Pty Ltd (subsidiary of Alpha)                     | 17.00% |
| Braveheart Energy Pty Ltd (subsidiary of Goldsborough Limited)         | 8.50%  |

The participants in the Browse Joint Venture have contracted to engage the services of Australian Drilling Associates Pty Ltd to provide project management services to support the conduct of drilling operations and to gain access to one drilling slot in a group sponsored multi-well program utilising the semi-submersible drilling rig, the Songa Venus. The drilling slot is to be used for the drilling of the Braveheart 1 well.

While each of the two permits of the Browse Joint Venture have been offered for farmout, alternatively, 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 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 concept 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 Browse permits

Cornea Joint Venture

The Cornea Joint Venture comprises the interests held in WA-342-P, which is adjacent to WA-332-P and WA-333-P.

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, 2009.

The joint venture continues to carry out extensive studies as to prospectivity of the known Cornea gas/oil accumulation.

Participants in the Cornea Joint Venture are:

|                                                                   |        |
|-------------------------------------------------------------------|--------|
| Hawkestone Oil Pty Ltd ((subsidiary of Exoil Limited) (Operator)  | 29.75% |
| Batavia Oil & Gas Pty Ltd                                         | 29.75% |
| Browse Petroleum Pty Ltd(subsidiary of Gascorp Australia Pty Ltd) | 15.00% |
| Alpha Oil & Natural Gas Pty Ltd                                   | 17.00% |
| Goldsborough Energy Pty Ltd                                       | 8.50%  |

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BONAPARTE BASIN INTERESTS, OFFSHORE FROM THE NORTHERN TERRITORY - NT/P62, NT/P63, NT/P64, NT/P65, NT/P71 and NT/P72

### National Gas Consortium

On April 12, 2006, we completed the acquisition of 100% of Nations Natural Gas Pty Ltd (Nations). The acquisition of Nations was entered into on September 10, 2004 and made in order to acquire a 30% 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, gas/condensate and 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-1 well, in permit NT/P68 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 range of gas to liquids processes and technologies.

On August 8, 2006, 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<sup>2</sup> (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<sup>2</sup> (7,970,533 acres) namely, NT/P62, NT/P63, NT/P64, NT/P65, NT/P71 and NT/P72, all within jurisdiction of Australia.

Nations on June 15, 2006, agreed to farmout 6% of its 30% interest in each of the Timor Sea Permits to NGA (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.

Nations on June 16, 2008, agreed to a further farmout of a further 3% of its 24% interest in each of the Timor Sea Permits to NGA (leaving Nations with a net 21% interest) in return for further expenditure of AUD\$1.6 million by NGA on Joint Venture exploration costs. The cost of the Company's share of the Sunshine and Kurrajong surveys has been met entirely by NGA.

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The participants in the National Gas Consortium are:

|                                       | %    |
|---------------------------------------|------|
| 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           | 21.0 |

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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 parts of or the whole of the acreage. In the meantime, the National Gas Consortium Joint Venture participants are considering methods of meeting 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 or acquisition of a special purpose company to acquire the National Gas Consortium Joint Venture permits interests 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.

### NT/P70 Joint Venture - Eastern Bonaparte Basin

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

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

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

The equity participants in the NT/P70 Joint Venture are:

|                                            | %    |
|--------------------------------------------|------|
| Alpha Oil & Natural Gas Pty Ltd (Operator) | 80.0 |
| National Gas Australia Pty Ltd             | 20.0 |

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 newly acquired Crocodile 2D seismic data, have mapped, interpreted and revised analyses and concepts for the area. We are presently assessing a plan to shoot 300 km<sup>2</sup> 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

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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 considering the acreage

### NT/P73 - Stillwater Project

On March 27, 2007, the Australian Government granted to our subsidiary, Alpha, a petroleum exploration permit, NT/P73, for an initial 6-year term. Alpha 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 are contemplating the acquisition of up to 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. We have recently reached agreement with ConocoPhillips to acquire approximately 200 kms(2) of existing 3D data in the NW corner of NT/P73, most of which covers the highly interesting Stillwater feature, which sits en echelon alongside the Caldita feature which is located in the adjacent permit held by ConocoPhillips and Santos.

The NT/P73 permit has been offered for farmout, with a number of international companies considering the acreage.

### ITEM 3. LEGAL PROCEEDINGS

None

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

No matter was submitted to a vote of security holders during the period covered by this report.

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## 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 |
|--------|------------------|-----------------|
| -----  | -----            | -----           |

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|                  |        |        |
|------------------|--------|--------|
| 1st Quarter 2007 | \$0.13 | \$0.10 |
| 2nd Quarter 2007 | \$0.12 | \$0.10 |
| 3rd Quarter 2007 | \$0.12 | \$0.10 |
| 4th Quarter 2007 | \$0.13 | \$0.06 |
|                  |        |        |
| 1st Quarter 2008 | \$0.08 | \$0.04 |
| 2nd Quarter 2008 | \$0.06 | \$0.04 |
| 3rd Quarter 2008 | \$0.11 | \$0.05 |
| 4th Quarter 2008 | \$0.13 | \$0.02 |

As at December 31, 2008, there were 4 market makers in our common stock.

As at December 31, 2008, there were approximately 216 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 three years, without registering the securities under the Securities Act of 1933, the Company has issued following securities:

On December 22, 2005, 2,500,000 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 2006 Form 10-KSB.

On April 12, 2006, 2,000,002 shares of Common Stock were issued to acquire all the remaining shares of Alpha Oil & Natural Gas Pty Ltd pursuant to Regulation S under the Securities Act, as described below. The recipients of such shares were:

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### Sellers of Alpha and Allocation of Consideration

| SELLER                          | NO. OF SHARES<br>IN ALPHA | NO. OF SHARES<br>IN AOGC | \$      |
|---------------------------------|---------------------------|--------------------------|---------|
| Natural Gas Corporation Pty Ltd | 100,000                   | 250,000                  | 12,500  |
| Batavia Oil & Gas Pty Ltd       | 100,000                   | 250,000                  | 12,500  |
| National Oil & Gas Pty Ltd      | 500,000                   | 1,250,002                | 62,500  |
| Australis Finance Pty Ltd       | 100,000                   | 250,000                  | 12,500  |
| TOTAL                           | 800,000                   | 2,000,002                | 100,000 |

On April 12, 2006, 2,100,001 shares of common stock were issued to acquire all the remaining shares of Nations Natural Gas Pty Ltd pursuant to Regulation S under the Securities Act, as described below. The recipients of such shares were:

### Sellers of Nations and Allocation of Consideration

| SELLER | NO. OF SHARES<br>IN ALPHA | NO. OF SHARES<br>IN AOGC | \$ |
|--------|---------------------------|--------------------------|----|
|        |                           |                          |    |

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|                                 |           |           |        |
|---------------------------------|-----------|-----------|--------|
| Ernest Geoffrey Albers          | 300,001   | 315,001   | 7,500  |
| Sacrosanct Pty Ltd              | 300,000   | 315,000   | 7,500  |
| Natural Gas Corporation Pty Ltd | 100,000   | 100,000   | 2,500  |
| Batavia Oil & Gas Pty Ltd       | 100,000   | 100,000   | 2,500  |
| National Oil & Gas Pty Ltd      | 1,100,000 | 1,150,000 | 27,500 |
| Australis Finance Pty Ltd       | 100,000   | 120,000   | 2,500  |
|                                 | -----     | -----     | -----  |
| TOTAL                           | 2,000,001 | 2,100,001 | 50,000 |
|                                 | =====     | =====     | =====  |

On April 12, 2006, the Company completed the acquisitions of each of Nations Natural Gas Pty Ltd (Nations) and Alpha Oil & Natural Gas Pty Ltd (Alpha), both companies incorporated in Australia. A director of AOGC, Mr E Geoffrey Albers, is a director and or shareholder of each of the sellers of shares in Nations and Alpha. The acquisitions were entered into on September 10, 2004 and July 1, 2004, respectively.

Mr. E. Geoffrey Albers is a director and or shareholder of each of the sellers of shares in Nations and Alpha. Mr. E. Geoffrey Albers had beneficial ownership percentages of 99.8% in Alpha and 98.8% in Nations prior to the acquisition by AOGC and had a beneficial ownership percentage of 53% in AOGC prior to the completion of the acquisitions and had a beneficial ownership percentage of 59.22% in AOGC after the completion of the acquisitions.

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

The purchase of Alpha was made in order to acquire a 20% interest in the Browse Joint Venture, being permits, WA-332-P, WA-333-P, WA-341-P and WA-342-P. The shareholders of Alpha have received 2,000,002 shares of common stock in AOGC and the payment of AUD\$100,000. Prior to the agreement being finalized, Alpha (with the approval of AOGC) sold its 20% interest in WA-341-P to a third party for an amount substantially in excess of book value. The settlement funds have been received by Alpha and were incorporated in settlement funds available to AOGC through its wholly owned subsidiary, Alpha.

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All Alpha and Nations acquirers of the above unregistered securities confirmed to AOGC by representation and warranty that they understood that the Shares to be issued to them had not been, and would not be registered under the U.S. Securities Act of 1933, as amended (the "Securities Act"), or under any U.S. state securities laws, and that they were being issued pursuant to a "safe harbor" exemption from registration contained in Regulation S promulgated under the Securities Act based, in part, upon the representations and warranties of each recipient.

Each recipient also represented and warranted that it had such knowledge and experience in financial and business matters that it was capable of evaluating the merits and risks of an investment in the Purchaser, and was an "Accredited Investor" as defined in Regulation D promulgated under the Securities Act and each recipient represented and warranted that it was not a "U.S. Person" (as that term is defined in Rule 902 of Regulation S under the Securities Act); and was not acquiring the Shares for the account or benefit of any U.S. Person and has not pre-arranged any resale of any of the Shares with any buyer located in the United States or otherwise with a U.S. Person; and had not offered the Shares in the United States, and at all material times the recipients were located outside the United States.

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Furthermore, the stock certificate delivered by the Company to each recipient was imprinted with a legend in the following form:

"The shares represented by this certificate have not been registered under the Securities Act of 1933, as amended (the "Securities Act") and have been issued pursuant to an exemption from registration under Regulation S promulgated under the Securities Act. Such shares are "restricted securities" as defined in Rule 144 promulgated under the Securities Act and may not be offered for sale, sold, delivered after sale, transferred, pledged, or hypothecated except: (i) in accordance with the provisions of Regulation S under the Securities Act; (ii) pursuant to registration under the securities Act; or (iii) pursuant to an opinion of counsel reasonable satisfactory to Australian Oil & Gas Corporation that such shares may be transferred without registration under the Securities Act. Hedging transactions involving the shares represented by this certificate may not be conducted unless in compliance with the Securities Act."

The recipients agreed, inter alia, that AOGC may refuse to register any transfer of the shares that is not made in accordance with the provisions of Regulation S, pursuant to registration under the Securities Act, or pursuant to an available exemption from registration under the Securities Act.

It was said that each recipient may make, or cause to be made, any resales of the Shares pursuant to one of the following methods:

- (i) "offshore transactions" (as such term is defined in Regulation S) pursuant to the resale safe harbor of Rule 904 of Regulation S adopted under the Securities Act;
- (ii) Rule 144 promulgated under the Securities Act; or

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(iii) any other available exemption under the Securities Act; provided that the Company shall first furnish the recipient with a written opinion reasonably satisfactory to the Company in form and substance from counsel reasonably satisfactory to the Company by reason of experience to the effect that the recipient may transfer such shares as desired without registration under the Securities Act (each such resale described (i)-(iv), a "Permitted Resale" and collectively, the "Permitted Resales"). Any such Permitted Resales shall be made in offshore transactions or in transactions in the United States on the Over-the-Counter Bulletin Board (OTC-BB) or otherwise."

On January 31, 2007, 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 2006 Form 10-KSB.

On January 18, 2008, 1,500,000 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 2006 Form 10-KSB.

On June 24, 2008, 3,650,000 shares of common stock were issued to Great Missenden Holdings Pty Ltd resulting from conversion of Unsecured Notes held by that company.

On March 26, 2009, 2,400,000 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 this 2008 Form 10-K.

Share Repurchase Program



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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, 2004, 2005, 2006, 2007 and 2008 for the years ended December 31, 2004, 2005, 2006, 2007 and 2008. The historical results included below and elsewhere in this document are not indicative of our future performance.

|                                | Years Ended December 31, |        |      |        |        |
|--------------------------------|--------------------------|--------|------|--------|--------|
|                                | 2004                     | 2005   | 2006 | 2007   | 2008   |
| Operating revenues             | --                       | --     | --   | --     | --     |
| Interest expense               | --                       | 21     | 34   | 29     | 17     |
| Net income (loss)              | (100)                    | (606)  | 592  | (815)  | (389)  |
| Net income (loss) per share(1) | *                        | (0.01) | 0.02 | (0.02) | (0.01) |
| Total assets                   | 2                        | 92     | 737  | 484    | 9      |
| Long-term debt                 | --                       | 250    | 276  | 305    | --     |
| Redeemable Preferred Stock     | --                       | --     | --   | --     | --     |
| Cash dividends                 | --                       | --     | --   | --     | --     |

\* less than \$0.01 per share

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(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: 27,300,550 in 2004 and 27,369,021 in 2005 and 33,212,561 in 2006 and 36,467,152 in 2007 and 40,052,317 in 2008). 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

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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 14 Petroleum Exploration Permits.

### Liquidity and Capital Resources

The following table reflects our working capital position at December 31, 2007 and 2008:

|                     | 2007   | 2008    |
|---------------------|--------|---------|
|                     | ----   | ----    |
| Current assets      | \$484  | \$9     |
| Current liabilities | \$577  | \$392   |
| Working capital     | \$(93) | \$(383) |
| Current ratio       | 0.84   | 0.02    |

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To date, in order to fund on-going administration and the cost of acquisition of interests, the Company has 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. When we require further funds, 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.

Our cash requirements for the next 12 months to support the operations are currently assessed to be approximately \$420,000. This figure includes office administration of \$75,000, and payments of approximately \$345,000 for exploration with respect to the Permits of the Vulcan Joint Venture, the Permits of the Browse Joint Venture and of the National Gas Consortium and NT/P70 and NT/P73. The Company has sufficient liquid capital to support its operations during the next twelve months.

In addition, if the Company is to maintain its portfolio of 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.

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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 further advances from Great Missenden Holdings Pty Ltd ("GMH") or the sponsorship of new companies for this purpose, or through the sale of additional shares of our common stock.

On February 17, 2009 the Company signed a Line of Credit agreement with Great Missenden Holdings Pty Ltd, for \$250,000.

### 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.

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### 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 will 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

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141(R), "Business Combinations." This statement provides new accounting guidance and disclosure requirements for business combinations, and is effective for business combinations which occur starting with the first fiscal year beginning on or after December 15, 2008.

### 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.

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### 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, 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.

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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

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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

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changes in conditions or that compliance with the policies or procedures may deteriorate.

As of December 31, 2008, 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, 2008.

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

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### ITEM 9B OTHER INFORMATION.

Not applicable

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## 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<br>----           | Age<br>--- | Position<br>-----                    |
|------------------------|------------|--------------------------------------|
| Ernest Geoffrey Albers | 64         | President, Treasurer and<br>Director |
| William Ray Hill       | 58         | Director, Vice President             |
| Mark Anthony Muzzin    | 46         | Director, Vice President             |

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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., Cue Energy Resources Ltd, Moby Oil & Gas Limited and Bass Strait Oil Company Ltd. 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 founded Rocky Mountain Minerals, Inc. in 1978 and is currently a director. 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 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.

Mark A Muzzin was appointed a director of the Company on November 16, 2005. Mr Muzzin has had over 20 years of commercial experience and holds a B.A. degree from Latrobe University, Melbourne, Australia. His career commenced in the mid eighties for a London stock broking firm and has consulted for two of the major banks in Australia in the share custodian area. He has been involved in capital raising activities for resource companies in Australia and is a consultant for various oil and gas companies. He is President of Rocky Mountain Minerals, Inc, Strategic Energy Resources Ltd and is a director in a number of Australian private companies. Mr Muzzin is a member of the Petroleum Exploration Society of Australia.

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### Board/Committee Matters

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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

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The Board of Directors met five times during the year ended December 31, 2008. During 2008, 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

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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

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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

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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 2008 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 written disclosures and 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, and has discussed with the independent auditors the independent auditors' independence.

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, 2008 for filing with the Securities and Exchange Commission.

E. Geoffrey Albers  
Mark A. Muzzin  
W. Ray Hill

Dated: March 30, 2009

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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 21 to the 2006 10KSB).

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.

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## Section 16(A) Beneficial Ownership Reporting Compliance

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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.

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#### Summary Compensation Table for 2008

| Name and Principal Position                     | Year  | Salary<br>(\$) | Stock Awards<br>(\$) * | Total<br>(\$) |
|-------------------------------------------------|-------|----------------|------------------------|---------------|
| -----                                           | ----- | -----          | -----                  | -----         |
| E.G. Albers<br>(CEO)<br>President and Treasurer | 2008  | NIL            | \$127,000              | \$127,000     |
|                                                 | 2007  | NIL            | \$90,000               | \$90,000      |

\* This amount is the SFAS 123(R) 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, Muzzin 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 2008 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, Mark Muzzin, 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, 2008, certain



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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<br>-----                                      | Number<br>of Shares (1)<br>----- | Percent of Class (2)<br>----- |
|----------------------------------------------------------------|----------------------------------|-------------------------------|
| Ernest Geoffrey Albers (3)                                     | 28,711,782                       | 69.94                         |
| William Ray Hill                                               | 100,000                          | 0.024                         |
| Mark Anthony Muzzin                                            | 0                                | 0                             |
| All executive officers and<br>directors as a group (3 persons) | 28,811,782                       | 70.18%                        |

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- (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 41,050,531 outstanding shares of Common Stock at December 31, 2008, 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.

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With respect to Mr E.G. Albers, President, Treasurer and a director of AOGC and each of its subsidiaries including Alpha, Nations, Vulcan and Braveheart, transactions were entered into, in relation to:

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\* Great Missenden Holdings Pty Ltd: Mr. Albers is a director and shareholder of Great Missenden Holdings 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.

For the year ended December 31, 2008, and the year ended December 31, 2007, respectively Great Missenden Holdings Pty Ltd charged \$17,067 and \$28,722 for interest on all advances during the year

\* Setright Oil & Gas Pty Ltd: Mr Albers is a director and shareholder of Setright Oil & Gas Pty Ltd. For the year ended December 31, 2008, and the year ended December 31, 2007, respectively, Setright Oil & Gas Pty Ltd charged the Company \$54,951 and \$65,625 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. AOGC's subsidiaries 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.

\* Oliver, Vulcan and Nome Joint Ventures: Mr. Albers is a director and shareholder in the joint venture participants with Vulcan Australia Pty Ltd (Vulcan) with regard to exploration permit ACP/33, ACP/35 and AC/P39; namely Petrocorp 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, the predecessor in title to Petrocorp Australia Pty Ltd 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 (predecessor I title to Vendor).

\* Browse Joint Venture (Braveheart): With regard to the Browse Joint Venture, Mr. Albers is a director and shareholder in each of Browse Petroleum Pty Ltd, Braveheart Petroleum Pty Ltd and Exoil Limited, the parent of Braveheart Resources Pty Ltd. He is a major shareholder in the parent of Braveheart Energy Pty Ltd. All of these companies are the holders of the Browse (Braveheart) Joint Venture.

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\* Cornea Joint Venture: With regard to the Cornea Joint Venture, Mr. Albers is a director and shareholder in each of Browse Petroleum Pty Ltd, 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 Cornea Joint Venture.

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\* National Gas Consortium. 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.

\* NT/P70 Joint Venture. With regard to the NT/P70 Joint Venture, Mr Albers is a director and shareholder in National Gas Australia Pty Ltd. Expenditure incurred during a prior period by National Gas Australia Pty Ltd (in which Mr E.G. Albers is the sole shareholder and sole director) in relation to the acquisition of the 795 line km Crocodile 2D Seismic Survey is in the order of \$950,000. As a result of this expenditure, National Gas Australia Pty Ltd earned a 20% interest in NT/P70 from AOGC.

### ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

#### (a) Audit Fees

Our principal accountant, Demetrius & Company L.L.C., billed us aggregate fees in the amounts of approximately \$11,100 and \$34,000 respectively for the fiscal years ended 2008 and 2007. These amounts were billed for professional services that Demetrius & Company, L.L.C. provided for the audit of our annual financial statements, review of the financial statements included in our report on 10-QSB and other services typically provided by an accountant in connection with statutory and regulatory filings or engagements for those fiscal years. An additional \$23,000 was accrued at December 31, 2008 for services relating to the audit of the Form 10-K annual report.

#### (b) Audit - Related Fees

There were no fees billed to us for the fiscal year ended December 31, 2008 for assurance and other services related to the performance of the audit or review of our financial statements.

#### (c) Tax Fees

We paid \$3,800 in tax fees for the fiscal year ended December 31, 2008 for tax compliance, tax advice, and tax planning. For the year ended December 31, 2007, \$5,000 was paid for tax compliance, tax advice and tax planning.

#### (d) All Other Fees

There were no other fees billed to us for the fiscal year ended December 31, 2008.

#### (e) 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

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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.

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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 2007 and 2008 fiscal years.

The percentage of the fees for audit, audit-related, tax and other services were as set forth in the following table:

Percentage of total fees paid to Demetrius & Company LLC  
Fiscal Year 2008

|                    |     |
|--------------------|-----|
| Audit fees         | 90% |
| Audit-related fees | Nil |
| Tax fees           | 10% |
| All other fees     | Nil |

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### 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                          | F1 |
| Consolidated Balance Sheets--December 31, 2008 and 2007                          | F2 |
| Consolidated Statements of Operations--Years Ended<br>December 31, 2008 and 2007 | F4 |
| Consolidated Statements of Stockholders' Equity--From inception                  |    |

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(August 6, 2003) through to December 31, 2008 F6

Consolidated Statements of Cash Flows--Years ended  
December 31, 2008, 2007 and 2006 F7

Notes to Consolidated Financial Statements F8-F14

### 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<br>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).                                            |
| 10.1              | Sale and Purchase of Shares in Alpha Oil & Natural Gas Pty Ltd, dated as of April 12, 2006 (incorporated by reference from Exhibit 10.1 to the Company's current report on Form 8-K dated July 17, 2006).                          |
| 10.2              | Amending Agreement to the Sale and Purchase of Shares in Alpha Oil & Natural Gas Pty Ltd, dated as of June 29, 2006 (incorporated by reference from Exhibit 10.2 to the Company's current report on Form 8-K dated July 17, 2006). |
| 43                |                                                                                                                                                                                                                                    |
| 10.3              | Sale and Purchase of Shares in Nations Natural Gas Pty Ltd, dated as of April 12, 2006 (incorporated by reference from Exhibit 10.3 to the Company's current report on Form 8-K dated July 17, 2006).                              |
| 10.4              | Amending Agreement to the Sale and Purchase of Shares in Nations Natural Gas Pty Ltd, dated as of June 29, 2006 (incorporated by reference from Exhibit 10.4 to the Company's current report on Form 8-K dated July 17, 2006).     |
| 10.5              | Deed of Appointment between the Company and E.G. Albers, dated May 4, 2005 (incorporated by reference from Exhibit 10.3 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005).                       |
| 10.6              | Services Agreement between the Company and Setright Oil & Gas Pty. Ltd., dated as of May 4, 2005 (incorporated by reference from Exhibit 10.4 to the Company's Annual Report on Form 10-KSB for the year ended December 31, 2005). |
| 10.7              | Agreement between the Company and E.G. Albers regarding the Issue of 2,000,000 Shares, dated January 31, 2007 (incorporated by reference from Exhibit 10.7 to the Company's annual report on                                       |

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Form 10-K for the year ended December 31, 2006).

- 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).\*
- 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. \*

\* Filed herewith

(b) Not applicable.

(c) Not applicable.

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### 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, President

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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<br>-----                                         | Title<br>-----                                                | Date<br>-----          |
|-------------------------------------------------------|---------------------------------------------------------------|------------------------|
| /s/ E. Geoffrey Albers<br>-----<br>E. Geoffrey Albers | President, Treasurer, Chief<br>Financial Officer and Director | 30th day of March 2009 |
| /s/ Mark A Muzzin<br>-----<br>Mark A Muzzin           | Director, Vice President                                      | 30th day of March 2009 |
| /s/ W. Ray Hill<br>-----<br>W. Ray Hill               | Director, Vice President                                      | 30th day of March 2009 |

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### FINANCIAL STATEMENTS

#### Table of Contents

Audit Report of Independent Registered Accountant

Consolidated Balance sheets - as at December 31, 2008 and 2007

Consolidated Statements of Operations for the twelve months ended December 31, 2008 and 2007 and for the period from inception (August 6, 2003) to December 31, 2008.

Consolidated Statements of Changes in Stockholders' Equity And Comprehensive Income for the period from inception (August 6, 2003) to December 31, 2008

Consolidated Statements of Cash Flows for the twelve months ended December 31, 2008 and 2007 and for the period from inception (August 6, 2003) to December 31, 2008.

Notes to Consolidated Financial Statements

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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 sheet of Australian Oil & Gas Corporation and subsidiaries (An Exploration Stage Enterprise) as of December 31, 2008 and 2007 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, 2008. These financial statements are the responsibility of the Company's management. 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 statement, 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, 2008 and 2007, and the results of their operations and their cash flows for each of the two years then ended and for the period from inception (August 6, 2003) to December 31, 2008 in conformity with accounting principles generally accepted in the United States of America.

/s/ Demetrius & Company, L.L.C.

Wayne, New Jersey

March 30, 2009

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Australian Oil & Gas Corporation  
(an exploration stage enterprise)

CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands)

12/31/08 12/31/07



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| ASSETS                                                                                                                                                                                                                                            | \$      | \$      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------|---------|
| Current assets:                                                                                                                                                                                                                                   |         |         |
| Cash and cash equivalents                                                                                                                                                                                                                         | 8       | 484     |
| Receivables                                                                                                                                                                                                                                       | 1       | --      |
|                                                                                                                                                                                                                                                   | -----   | -----   |
| Total Current Assets                                                                                                                                                                                                                              | 9       | 484     |
|                                                                                                                                                                                                                                                   | -----   | -----   |
| Total Assets                                                                                                                                                                                                                                      | 9       | 484     |
|                                                                                                                                                                                                                                                   | =====   | =====   |
| <br>                                                                                                                                                                                                                                              |         |         |
| LIABILITIES AND STOCKHOLDERS' EQUITY                                                                                                                                                                                                              |         |         |
| Current liabilities:                                                                                                                                                                                                                              |         |         |
| Accounts payable and accrued expenses                                                                                                                                                                                                             | 214     | 574     |
| Accounts payable to director related entities (Note 6)                                                                                                                                                                                            | 178     | 2       |
| Income tax expense payable                                                                                                                                                                                                                        | --      | 1       |
|                                                                                                                                                                                                                                                   | -----   | -----   |
| Total Current Liabilities                                                                                                                                                                                                                         | 392     | 577     |
|                                                                                                                                                                                                                                                   | -----   | -----   |
| Non-Current liabilities:                                                                                                                                                                                                                          |         |         |
| Convertible Notes (Note 5)                                                                                                                                                                                                                        | --      | 305     |
|                                                                                                                                                                                                                                                   | -----   | -----   |
| Total Liabilities                                                                                                                                                                                                                                 | 392     | 882     |
|                                                                                                                                                                                                                                                   | =====   | =====   |
| <br>                                                                                                                                                                                                                                              |         |         |
| Stockholders' Equity                                                                                                                                                                                                                              |         |         |
| Common stock, \$0.001 par value; 75,000,000 shares authorized, Issued shares, 43,450,531 at December 31, 2008 and 37,400,531 at December 31, 2007; Outstanding shares, 41,050,531 at December 31, 2008 and 37,400,531 December 31, 2007. (Note 8) | 33      | 30      |
| Capital in excess of par value                                                                                                                                                                                                                    | 2,519   | 2,210   |
| Accumulated other Comprehensive Income                                                                                                                                                                                                            | 316     | 224     |
| Deficit accumulated during the exploration stage                                                                                                                                                                                                  | (3,251) | (2,862) |
|                                                                                                                                                                                                                                                   | -----   | -----   |
| Total Stockholders' Equity                                                                                                                                                                                                                        | (383)   | (398)   |
|                                                                                                                                                                                                                                                   | -----   | -----   |
| Total Liabilities and Stockholders' Equity                                                                                                                                                                                                        | 9       | 484     |
|                                                                                                                                                                                                                                                   | =====   | =====   |

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, 2008 and 2007  
and for the period from inception (August 6, 2003) to December 31, 2008

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(Dollar amounts in thousands)

|                                                    | For the twelve<br>months ended<br>Dec 31, 2008<br>\$ | For the twelve<br>months ended<br>Dec 31, 2007<br>\$ | Fr<br>inception<br>Aug 6, 2003<br>\$ |
|----------------------------------------------------|------------------------------------------------------|------------------------------------------------------|--------------------------------------|
| Expenses                                           |                                                      |                                                      |                                      |
| Exploration                                        | 499                                                  | 652                                                  | 1,8                                  |
| General and administrative                         | 191                                                  | 267                                                  | 1,0                                  |
| Merger and reorganization                          | --                                                   | --                                                   | 2                                    |
| Total operating expenses                           | 690                                                  | 919                                                  | 3,0                                  |
| Loss before other income and expense               | (690)                                                | (919)                                                | (3,0)                                |
| Other Income and (Expense)                         |                                                      |                                                      |                                      |
| Gain on transfer of interest in tenement (Note 12) | 389                                                  | --                                                   | 1, 6                                 |
| Write down of investments                          | --                                                   | --                                                   | (1, 7                                |
| Currency exchange gain/(loss)                      | (78)                                                 | 106                                                  |                                      |
| Interest income                                    | 7                                                    | 27                                                   |                                      |
| Interest expense                                   | (17)                                                 | (29)                                                 | (1                                   |
| Profit/ (loss) before income tax                   | (389)                                                | (815)                                                | (3,2                                 |
| Income tax provision                               | --                                                   | --                                                   |                                      |
| Net Profit/(loss)                                  | (389)                                                | (815)                                                | (3,2                                 |
| Profit/(loss) per Common Share:                    |                                                      |                                                      |                                      |
| Net profit/(loss)                                  | \$ (0.01)                                            | \$ (0.02)                                            | \$ (0.                               |
| Weighted average common share used in calculation  | 40,052,317                                           | 36,467,152                                           | 32,370,7                             |

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 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AND  
COMPREHENSIVE INCOME  
For the period from inception (August 6, 2003) to December 31, 2008

(Dollar amounts in thousands)

Accumulated

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|                                                                                       | Common stock |              | Capital in<br>excess of<br>par value<br>\$ | Other<br>Comprehensive<br>Income<br>\$ |
|---------------------------------------------------------------------------------------|--------------|--------------|--------------------------------------------|----------------------------------------|
|                                                                                       | Shares       | Amount<br>\$ |                                            |                                        |
|                                                                                       | -----        | -----        | -----                                      | -----                                  |
| Issuance of common stock:                                                             |              |              |                                            |                                        |
| Combination of Controlled Entities                                                    | --           | 1,560        | --                                         | --                                     |
| To holders of unsecured claims against<br>Synergy Technology Corporation              | 3,000,000    | --           | --                                         | --                                     |
| To equity holders of Synergy Technology<br>Corporation                                | 4,800,528    | --           | --                                         | --                                     |
| To the Plan Funder to fund the<br>Plan of Reorganization                              | 19,500,000   | 20           | 55                                         | --                                     |
| Loss from operations                                                                  | --           | --           | --                                         | --                                     |
| Balance, December 31, 2003                                                            | 27,300,528   | 1,580        | 55                                         | --                                     |
| Loss from operations                                                                  | --           | --           | --                                         | --                                     |
| Foreign currency translation adjustment                                               | --           | --           | --                                         | 195                                    |
| Balance, December 31, 2004                                                            | 27,300,528   | 1,580        | 55                                         | 195                                    |
| To the Chairman as compensation                                                       | 2,500,000    | 2            | 248                                        | --                                     |
| Shares issued external to combined group<br>previously held within the combined group | --           | 65           | --                                         | --                                     |
| Loss from operations                                                                  | (606)        | (606)        | --                                         | --                                     |
| Foreign currency translation adjustment                                               | --           | --           | --                                         | 48                                     |
| Balance, December 31, 2005                                                            | 29,800,528   | 1,647        | 303                                        | 243                                    |
| To the Chairman as compensation                                                       | 2,000,000    | 2            | 198                                        | --                                     |
| Profit from operations                                                                | --           | --           | --                                         | --                                     |
| Acquisition of entities subject<br>to common control                                  | --           | (1,621)      | 1,621                                      | --                                     |
| Foreign currency translation adjustment                                               | --           | --           | --                                         | 17                                     |
| Balance, December 31, 2006                                                            | 35,900,531   | 28           | 2,122                                      | 260                                    |
| To the Chairman as compensation (Note 8)                                              | 1,500,000    | 2            | 88                                         | --                                     |
| Loss from operations                                                                  | --           | --           | --                                         | --                                     |
| Foreign currency translation adjustment                                               | --           | --           | --                                         | (36)                                   |
| Balance, December 31, 2007                                                            | 37,400,531   | 30           | 2,210                                      | 224                                    |

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 STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY AND  
 COMPREHENSIVE INCOME (Continued)  
 For the period from inception (August 6, 2003) to December 31, 2008

|                                         |            |       |       |       |
|-----------------------------------------|------------|-------|-------|-------|
| Conversion of Notes (Note 5)            | 3,650,000  | 3     | 309   | --    |
| Loss from operations                    | --         | --    | --    | --    |
| Foreign currency translation adjustment | --         | --    | --    | 92    |
|                                         | -----      | ----- | ----- | ----- |
| Balance, December 31, 2008              | 41,050,531 | 33    | 2,519 | 316   |
|                                         | =====      | ===== | ===== | ===== |

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 twelve months ended December 31, 2008 and 2007  
 and Cumulative from inception (August 6, 2003) to December 31, 2008

(Dollar amounts in thousands)

|                                                                                               | Dec 31,<br>2008<br>\$ | Dec 31,<br>2007<br>\$ | Fr<br>incepti<br>----- |
|-----------------------------------------------------------------------------------------------|-----------------------|-----------------------|------------------------|
| Cash flows from operating activities:                                                         |                       |                       |                        |
| Net profit/(loss)                                                                             | (389)                 | (815)                 | (3,2                   |
| Adjustments to reconcile net profit/(loss) to<br>net cash used in operating activities:       |                       |                       |                        |
| Adjustments for non-cash items:                                                               |                       |                       |                        |
| Compensation expense                                                                          | 127                   | 90                    | 6                      |
| Currency exchange (gain)/loss                                                                 | 171                   | (116)                 |                        |
| Write down of investment                                                                      | --                    | --                    | 1,7                    |
| Issuance of Convertible Note in lieu of repayment of<br>advances from director related entity | 7                     | 29                    | 1                      |
| Gain on transfer of interest in tenement (Note 12)                                            | (389)                 | --                    | (1,6                   |
| Change in assets and liabilities                                                              |                       |                       |                        |
| Increase (decrease) in accounts payable                                                       | (60)                  | 512                   | 5                      |
| Increase (decrease) in tax payable                                                            | (1)                   | (34)                  |                        |

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|                                                                      |       |       |       |
|----------------------------------------------------------------------|-------|-------|-------|
| (Increase) decrease in accounts receivable                           | (1)   | 2     |       |
| Decrease in exploration assets                                       | --    | --    |       |
|                                                                      | ----- | ----- | ----- |
| Net cash used in operating activities                                | (535) | (332) | (1,7  |
|                                                                      | ----- | ----- | ----- |
| Cash flows from financing activities:                                |       |       |       |
| Proceeds from the sale of Common stock - net                         | --    | --    |       |
| Proceeds from advance from director-related entities                 | 59    | --    | 3     |
| Repayment of advance from director-related entities                  | --    | --    | (     |
|                                                                      | ----- | ----- | ----- |
| Net cash (used in) provided by financing activities                  | 59    | --    | 3     |
|                                                                      | ----- | ----- | ----- |
| Cash flows from investing activities:                                |       |       |       |
| Proceeds from sale of tenement                                       | --    | --    | 1,2   |
|                                                                      | ----- | ----- | ----- |
| Net cash provided investing activities                               | --    | --    | 1,2   |
|                                                                      | ----- | ----- | ----- |
| Increase (decrease) in cash                                          | (476) | (332) | (     |
| Cash and cash equivalents at beginning of period                     | 484   | 734   |       |
| Effect of currency exchange rate fluctuations on cash held           | --    | 82    |       |
|                                                                      | ----- | ----- | ----- |
| Cash and cash equivalents at end of period                           | 8     | 484   |       |
|                                                                      | ===== | ===== | ===== |
| Supplementary disclosure of non-cash financing activities.           |       |       |       |
| - Issuance of Stock for compensation and settlement of advances      | 312   | 90    | 8     |
| - Administration Fees charged by Setright Oil & Gas Pty Ltd (Note 5) | 55    | 66    | 2     |
| - Interest charged by Great Missenden Holdings Pty Ltd (Note 5)      | 17    | 29    | 1     |
| - Gain on transfer of interest in tenement (Note 12)                 | 389   | --    | 1,6   |

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, 2008

NOTE 1: ORGANIZATION

Australian Oil & Gas Corporation (the Company or AOGC) was incorporated on August 6, 2003, and began operations on August 11, 2003 pursuant to the terms of a Plan of Reorganization (Plan) of Synergy Technologies Corporation ("Synergy") and is considered to be a crude petroleum and natural gas company in the exploratory stage company as defined by SFAS No. 7, and since inception, 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

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subsidiaries; Alpha Oil & Natural Gas Pty Ltd and Nations Natural Gas Pty Ltd.

Per Note 12, Alpha Oil & Natural Gas Pty Ltd itself now has two wholly owned Australian subsidiaries, Vulcan Australia Pty Ltd (which now holds the joint venture interest in the Vulcan Joint Ventures) and Braveheart Oil & Gas Pty Ltd (which now holds the joint venture interest in the Browse Joint Venture).

### NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company has adopted Fresh Start Accounting. All dollar amounts used herein refer to U.S. dollars unless otherwise indicated. These statements are prepared using Generally Accepted Accounting Principles of the United States of America. All significant transactions between the parent and consolidated affiliates have been eliminated.

#### Basis of consolidation

The consolidated financial statements include all majority-owned subsidiaries over which we exercise control. Investments where we exercise significant influence but do not control (generally a 20% to 50% ownership interest), are accounted for under the equity method of accounting. All material intercompany transactions and balances have been eliminated.

#### 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.

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:

- o 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.
- o Costs of exploratory wells are capitalized pending determination of whether they have discovered proved reserves.

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- \* 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.
- o Acquisition costs of permits, leases and development activities are capitalized.

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- o Other exploration costs are charged to expense as incurred.
- o 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).
- o 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 adopted the provisions of FASB issued Interpretation No.48, "Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement 109" ("FIN 48") effective January 1, 2007. As a result of the implementation of FIN 48, no adjustment in the liability for unrecognized income tax benefits relating to uncertain tax provisions was necessary.

### 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.

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Recently issued Accounting Standards not adopted as of December 31, 2008

In December 2007, the Financial Accounting Standards Board (FASB) issued SFAS No. 141(R), "Business Combinations" and No. 160 "Non controlling Interests in Consolidated Financial Statements". These statements provide new accounting guidance and disclosure requirements for business combinations, and is effective for business combinations which occur starting with the first fiscal year beginning on or after December 15, 2008. In management's opinion, the adoption of SFAS 141(R) and 160 are not expected to have a significant impact on the Company's results of operations, cashflows or financial position.

### NOTE 3: INCOME TAXES

As of December 31, 2008 and December 31, 2007 respectively, the Company had a U.S. Federal net operating loss carryforward of approximately \$846,000 and \$856,000 which will expire commencing 2017 through 2025, if not utilized.

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 | 287,640   |
| Less : Valuation Allowance      | (287,640) |
| 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 January 1, 2008 and December 31, 2008, the Company had no material unrecognized tax benefits.

### 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, 2008.

### 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 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



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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.

For the year ended December 31, 2008, and the year ended December 31, 2007, respectively Great Missenden Holdings Pty Ltd charged \$17,067 and \$28,722 for interest on all advances during the year

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.

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

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

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

With regard to the National Gas Consortium, Mr. Albers is a director and shareholder in each of National Oil & Gas Pty Ltd, Australian Natural Gas Pty Ltd and Natural Gas Australia Pty Ltd. Expenditure incurred by National Gas Australia Pty Ltd has resulted in National Gas Australia Pty Ltd earning an aggregate 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.

Mr Albers is a director and shareholder of Setright Oil & Gas Pty Ltd. For the year ended December 31, 2008, and the year ended December 31, 2007, respectively, Setright Oil & Gas Pty Ltd charged the Company \$54,951 and \$65,625 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. AOGC's subsidiaries 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.

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### NOTE 6: LIABILITIES TO DIRECTOR RELATED ENTITIES

At December 31, 2008, the Company recorded a liability to Setright Oil & Gas Pty Ltd of \$2,390.

In anticipation of a line of credit agreement being signed between Great Missenden Holdings Pty Ltd and AOGC funds of \$58,875 were advanced to AOGC in October 2008. From a balance remaining payable to Great Missenden Holdings after the issue of shares on the convertible notes, the advance made on October 2008 and interest payable on these two items the liability to Great Missenden Holdings at December 31, 2008 is \$87,140

At December 31, 2008, the Company recorded a liability to National Gas Australia Pty Ltd of \$88,903.

### NOTE 7: COMMON STOCK

On the effective date of the Plan the following changes in common stock were effected:

- o the issuance of 19,500,000 shares of AOGC Common Stock to the nominees of Great Missenden Holdings Pty Ltd in consideration of supplying funding for the Plan (herein referred to as the "Plan Funder") and its agreement to contribute up to \$150,000 in loan funds to AOGC during the two-year period after the effective date of the Plan.
- o the issuance of 4,800,550 shares of AOGC Common Stock on the basis of (1) share of AOG Common Stock for every ten (10) shares of common stock of Synergy;
- o the issuance of an aggregate of 3,000,000 shares of AOGC Common Stock to all holders of Synergy general unsecured claims on the basis of .86299 of one share for each dollar of the amount of allowed unsecured claims.

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- o On December 22, 2005, 2,500,000 shares of Common stock were issued to EG Albers under the terms of his employment contract, filed as an exhibit to the 2005 Form 10-KSB.
- o On April 12, 2006, 4,100,003 shares of Common stock were issued to acquire all the shares of Nations Natural Gas Pty Ltd and the remaining shares of Alpha Natural Oil & Gas Pty Ltd. (Filed as an exhibit to the 2005 Form 10-KSB).
- o On January 31, 2007, 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 2005 Form 10-KSB.
- o On January 18, 2008, 1,500,000 shares of Common stock were issued to EG Albers under the terms of his employment contract, filed as an exhibit to the 2005 Form 10-KSB.
- o On June 24, 2008, 3,650,000 shares of Common Stock were issued to Great Missenden Holdings Pty Ltd to settle the Series I and Series II Convertible (See Note 5).
- o On March 26, 2009, 2,400,000 shares of Common stock were issued to EG Albers under the terms of his employment contract, filed as an exhibit

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to this 2008 Form 10-K. (See Note 13)

### NOTE 8: COMMON STOCK ISSUED TO EG ALBERS

At December 31, 2008, 2,400,000 shares included in issued and outstanding shares of 43,450,531 disclosed in the balance sheet and used for the earnings per common share calculation were reserved but not yet issued. These shares were used to compensate Mr Albers and were issued on March 26, 2009. (See Note 13)

### 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 \$315,475 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: 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.

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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 to an increase in the value of Australian Dollar against the US Dollar.

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### NOTE 12: REARRANGEMENT OF JOINT VENTURES

#### Vulcan Joint Venture

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AOGC's wholly owned subsidiary, Alpha Oil & Natural Gas Pty Ltd, has formed a wholly owned subsidiary named Vulcan Australia Pty Ltd (Vulcan) and has transferred its 15% interests in each of AC/P33, AC/P35 and AC/P39 to Vulcan. In addition, the Vulcan Joint Venture Operating Agreement, which previously governed joint venture operations in the three permits, has been replaced by separate joint venture Agreements for each permit. The new joint ventures are known as Oliver Joint Venture (AC/P33), Vulcan Joint Venture (AC/P35) and NOME Joint Venture (AC/P39).

Following these rearrangements of interests, the participants in the newly constituted Oliver Joint Venture have entered into a farmout agreement with South Australian based oil explorer and producer, Stuart Petroleum Limited ("Stuart"), who is now the Operator and 50% interest holder in permit AC/P33, host to the Oliver oil and gas accumulation. Our interest will, as a result, reduce to 7.5%. Permit AC/P33 is located approximately 700 kilometres west of Darwin in the Australian-administered section of the Timor Sea. The transaction was approved by the Designated Authority (Commonwealth of Australia) October 9, 2008.

#### Browse Joint Venture

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AOGC's wholly owned subsidiary, Alpha Oil & Natural Gas Pty Ltd ("Alpha") together with its joint venturers, has entered into a farmout agreement with respect to WA-332-P, WA-333-P and WA-342-P ("Permits") with Gascorp Australia Pty Ltd ("Gascorp") whereby Gascorp has agreed to earn a 15% interest in each of the Permits in return for the obligation of Gascorp to expend \$1,120,000 in acquiring approximately 490 line kilometres of new 2D seismic data in the Permits and in acquiring a drill site survey over a possible location to test the Braveheart prospect. The seismic survey is planned to provide coverage of leads within WA-332-P as well as assist in the determination of the location of a Braveheart 1 well, which is expected to be drilled in WA-333-P in late 2009. As a result of this farmout, Alpha's interest in each of the three permits has reduced from 20% to 17%.

In addition to this farmout, the participants in each of the Permits have elected to form new 100% owned subsidiary companies and have agreed to transfer their respective interests to such wholly owned subsidiaries. Alpha has incorporated Braveheart Oil & Gas Pty Ltd as a wholly owned subsidiary to which it has assigned its residual 17% interest in each of the Permits. These transactions have been submitted to the Designated Authority (Commonwealth of Australia) for approval.

The participants in the Browse Joint Venture have contracted to engage the services of Australian Drilling Associates Pty Ltd to provide project management services to support the conduct of drilling operations and to gain access to one drilling slot in a group sponsored multi-well program utilising the semi-submersible drilling rig, the Songa Venus. The drilling slot, in late 2009, is to be used for the drilling of the Braveheart 1.

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### NOTE 12: SUBSEQUENT EVENTS

On February 17, 2009, the Company signed an agreement with Great Missenden Holdings Pty Ltd for a \$250,000 Line of Credit. If utilized, settlement will be by way of Series III Convertible Unsecured Notes of \$1,000 each with an interest

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of 12% per annum and shall be repayable by the Company by December 31, 2012.

On March 26, 2009, 2,400,000 shares of Common stock were issued to EG Albers under the terms of his employment contract, filed as an exhibit to this 2008 Form 10-K.

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