WELLS FARGO & COMPANY/MN
Form 424B2
June 12, 2018

The information in this preliminary pricing supplement is not complete and may be changed. This preliminary pricing supplement and the accompanying product supplement, prospectus supplement and prospectus are not an offer to sell these notes and we are not soliciting an offer to buy these notes in any jurisdiction where the offer or sale is not permitted.

Preliminary Pricing Supplement No. 65 (To Product Supplement No. EQUITY INDICES SUN-1 dated April 27, 2018, Prospectus Supplement dated January 24, 2018 and Prospectus dated April 27, 2018)	**Subject to Completion** **Preliminary Pricing Supplement** **dated June 12, 2018**	**Filed Pursuant to Rule 424(b)(2)** **Registration Statement No. 333-221324**

Units	Pricing Date*	June , 2018
$10 principal amount per unit	Settlement Date*	July , 2018
CUSIP No.	Maturity Date*	January , 2023
	*Subject to change based on the actual date the notes are priced for initial sale to the public (the pricing date)	

Market-Linked Step Up Notes Linked to the Russell 1000® Value Index

- 1-to-1 downside exposure to decreases in the Index, with up to 100% of your principal at risk
- Maturity of approximately four and a half years
- If the Index is flat or increases up to and including the Step Up Value, a return of [30% to 36%]
- If the Index increases above the Step Up Value, a return equal to the percentage increase in the Index
- All payments occur at maturity and are subject to the credit risk of Wells Fargo & Company; if Wells Fargo & Company defaults on its obligations, you could lose some or all of your investment
- No periodic interest payments or dividends
- In addition to the underwriting discount set forth below, the notes include a hedging-related charge of $0.075 per unit. See Structuring the Notes
- Limited secondary market liquidity, with no exchange listing; intended to be held to maturity
- The notes are unsecured obligations of Wells Fargo & Company. The notes are not deposits or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency of the United States or any other jurisdiction

The notes are being issued by Wells Fargo & Company (Wells Fargo). The notes have complex features and investing in the notes involves risks not associated with an investment in conventional debt securities. See Risk Factors and Additional Risk Factors beginning on page TS-7 of this term sheet and Risk Factors beginning on page PS-7 of product supplement EQUITY INDICES SUN-1.

The initial estimated value of the notes as of the pricing date is expected to be between $9.30 and $9.50 per unit, which is less than the public offering price listed below. The range for the initial estimated value of the notes is based on the estimated value of the notes determined for us as of the date of this term sheet by Wells Fargo Securities, LLC using its proprietary pricing models. The actual value of your notes at any time will reflect many factors and cannot be predicted with accuracy. See Summary on the following page, Risk Factors beginning on page TS-7 of this term sheet and Structuring the Notes on page TS-16 of this term sheet for additional information.

None of the Securities and Exchange Commission (the SEC), any state securities commission, or any other regulatory body has approved or disapproved of these securities or determined if this Note Prospectus (as defined below) is truthful or complete. Any representation to the contrary is a criminal offense.

	Per Unit	Total
Public offering price(1)	$ 10.00	$
Underwriting discount(1)	$ 0.25	$
Proceeds, before expenses, to Wells Fargo	$ 9.75	$

(1) For any purchase of 500,000 units or more in a single transaction by an individual investor or in combined transactions with the investor s household in this offering, the public offering price and the underwriting discount will be $9.95 per unit and $0.20 per unit, respectively. See Supplement to the Plan of Distribution below.

The notes:

Are Not FDIC Insured	**Are Not Bank Guaranteed**	**May Lose Value**

Merrill Lynch & Co.

June , 2018

Market-Linked Step Up Notes

Linked to the Russell 1000® Value Index, due January , 2023

Summary

The Market-Linked Step Up Notes Linked to the Russell 1000® Value Index, due January , 2023 (the notes) are our senior unsecured debt securities. The notes are not deposits or other obligations of a depository institution and are not insured by the Federal Deposit Insurance Corporation, the Deposit Insurance Fund or any other governmental agency of the United States or any other jurisdiction. **The notes will rank equally with all of our other unsecured and unsubordinated debt. Any payments due on the notes, including any repayment of principal, will be subject to the credit risk of Wells Fargo.** The notes provide you with a Step Up Payment if the Ending Value of the Market Measure, which is the Russell 1000® Value Index (the Index), is equal to or greater than its Starting Value, but is not greater than the Step Up Value. If the Ending Value is greater than the Step Up Value, you will participate on a 1-for-1 basis in the increase in the level of the Index above the Starting Value. If the Ending Value is less than the Starting Value, you will lose all or a portion of the principal amount of your notes. Any payments on the notes will be calculated based on the $10 principal amount per unit and will depend on the performance of the Index, subject to our credit risk. See Terms of the Notes and The Index below.

The public offering price of each note of $10 includes certain costs that are borne by you. Because of these costs, the estimated value of the notes on the pricing date will be less than the public offering price. The costs included in the public offering price relate to selling, structuring, hedging and issuing the notes, as well as to our funding considerations for debt of this type.

The costs related to selling, structuring, hedging and issuing the notes include (a) the underwriting discount, (b) the projected profit that our hedge counterparty (which may be MLPF&S or one of its affiliates) expects to realize for assuming risks inherent in hedging our obligations under the notes and (c) hedging and other costs relating to the offering of the notes.

Our funding considerations take into account the higher issuance, operational and ongoing management costs of market-linked debt such as the notes as compared to our conventional debt of the same maturity, as well as our liquidity needs and preferences. Our funding considerations are reflected in the fact that we determine the economic terms of the notes based on an assumed funding rate that is generally lower than the interest rates implied by secondary market prices for our debt obligations and/or by other traded instruments referencing our debt obligations, which we refer to as our secondary market rates. As discussed below, our secondary market rates are used in determining the estimated value of the notes.

If the costs relating to selling, structuring, hedging and issuing the notes were lower, or if the assumed funding rate we use to determine the economic terms of the notes were higher, the economic terms of the notes would be more favorable to you and the estimated value would be higher. The initial estimated value of the notes as of the pricing date will be set forth in the final term sheet made available to investors in the notes.

Our affiliate, Wells Fargo Securities, LLC (WFS), calculated the range for the initial estimated value of the notes set forth on the cover page of this term sheet, based on its proprietary pricing models. The range for the initial estimated value reflects terms that are not yet fixed, as well as uncertainty about market conditions and other relevant factors as of the pricing date. In no event will the estimated value of the notes on the pricing date be less than the bottom of the range. Based on WFS s proprietary pricing models and related market inputs and assumptions, WFS determined an estimated value for the notes by estimating the value of the combination of hypothetical financial instruments that would replicate the payout on the notes, which combination consists of a non-interest bearing, fixed-income bond (the debt component) and one or more derivative instruments underlying the economic terms of the notes (the derivative component). For more information about the initial estimated value and the structuring of the notes, see Risk Factors beginning on page TS-7 of this term sheet and Structuring the Notes on page TS-16 of this term sheet.

Market-Linked Step Up Notes

Linked to the Russell 1000® Value Index, due January , 2023

Terms of the Notes

Issuer:	Wells Fargo & Company (Wells Fargo)
Principal Amount:	$10.00 per unit
Term:	Approximately four and a half years
Market Measure:	The Russell 1000® Value Index (Bloomberg symbol: RLV Index), a price return index
Starting Value:	The closing level of the Market Measure on the pricing date
Ending Value:	The closing level of the Market Measure on the calculation day. The scheduled calculation day is subject to postponement in the event of Market Disruption Events, as described on page PS-22 of product supplement EQUITY INDICES SUN-1.
Step Up Value:	[130% to 136%] of the Starting Value, rounded to three decimal places. The actual Step

Redemption Amount Determination

On the maturity date, you will receive a cash payment per unit determined as follows:

	Up Value will be determined on the pricing date.
Step Up Payment:	[$3.00 to $3.60] per unit, which represents a return of [30% to 36%] over the principal amount. The actual Step Up Payment will be determined on the pricing date.
Threshold Value:	100% of the Starting Value.
Calculation Day:	Approximately the fifth scheduled Market Measure Business Day immediately preceding the maturity date, which will be set forth in the final pricing supplement.
Fees and Charges:	The underwriting discount of $0.25 per unit listed on the cover page and the hedging related charge of $0.075 per unit. See Structuring the Notes on page TS-16.
Joint Calculation Agents:	WFS and Merrill Lynch, Pierce, Fenner & Smith Incorporated (MLPF&S), acting jointly.

Market-Linked Step Up Notes

Linked to the Russell 1000® Value Index, due January , 2023

The terms and risks of the notes are contained in this term sheet and in the following:

Product supplement EQUITY INDICES SUN-1 dated April 27, 2018:
https://www.sec.gov/Archives/edgar/data/72971/000119312518136980/d577892d424b2.htm

Prospectus supplement dated January 24, 2018:
https://www.sec.gov/Archives/edgar/data/72971/000119312518018256/d466041d424b2.htm

Prospectus dated April 27, 2018:
https://www.sec.gov/Archives/edgar/data/72971/000119312518136909/d557983d424b2.htm

When you read the accompanying prospectus supplement, note that all references to the prospectus dated November 3, 2017, or to any sections therein, should refer instead to the accompanying prospectus dated April 27, 2018 or to the corresponding sections of such prospectus, as applicable.

These documents (together, the Note Prospectus) have been filed as part of a registration statement with the SEC, which may, without cost, be accessed on the SEC website as indicated above or obtained from MLPF&S by calling 1-800-294-1322. Before you invest, you should read the Note Prospectus, together with this term sheet, for information about us and this offering. Any prior or contemporaneous oral statements and any other written materials you may have received are superseded by the Note Prospectus. Capitalized terms used but not defined in this term sheet have the meanings set forth in product supplement EQUITY INDICES SUN-1. Unless otherwise indicated or unless the context requires otherwise, all references in this document to we, us, our, or similar references are to Wells Fargo.

Investor Considerations

You may wish to consider an investment in the notes if:	**The notes may not be an appropriate investment for you if:**
You anticipate that the Index will not decrease from the Starting Value to the Ending Value.	You believe that the Index will decrease from the Starting Value to the Ending Value.
You are willing to risk a loss of principal and return if the Index decreases from the Starting Value to the Ending	You seek principal repayment or preservation of capital.

Value.

You are willing to forgo the interest payments that are paid on conventional interest bearing debt securities.

You are willing to forgo dividends or other benefits of owning the stocks included in the Index.

You are willing to accept a limited market or no market for sales prior to maturity, and understand that the market prices for the notes, if any, will be affected by various factors, including our actual and perceived creditworthiness, our assumed funding rate and fees and charges on the notes.

You are willing to assume our credit risk, as issuer of the notes, for all payments under the notes, including the Redemption Amount.

You seek interest payments or other current income on your investment.

You want to receive dividends or other distributions paid on the stocks included in the Index.

You seek an investment for which there will be a liquid secondary market or you are unwilling to hold the notes to maturity.

You are unwilling to accept the credit risk of Wells Fargo or unwilling to obtain exposure to the Index through an investment in the notes.

We urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

Hypothetical Payout Profile

The below graph is based on **hypothetical** numbers and values.

Market-Linked Step Up Notes

This graph reflects the returns on the notes, based on the Threshold Value of 100% of the Starting Value, a Step Up Value of 133% of the Starting Value (the midpoint of the Step Up Value range of [130% to 136%]) and a Step Up Payment of $3.30 per unit (the midpoint of the Step Up Payment range of [$3.00 to $3.60]). The green line reflects the returns on the notes, while the dotted gray line reflects the returns of a direct investment in the stocks included in the Index, excluding dividends.

This graph has been prepared for purposes of illustration only.

See below table for a further illustration of the range of hypothetical payments at maturity.

Hypothetical Payments at Maturity

The following table and examples are for purposes of illustration only. They are based on hypothetical values and show hypothetical returns on the notes. They illustrate the calculation of the Redemption Amount and total rate of return based on a hypothetical Starting Value of 100, a hypothetical Threshold Value of 100, a hypothetical Step Up Value of 133 (the midpoint of the range for the Step Up Value), a hypothetical Step Up Payment of $3.30 per unit (the midpoint of the range for the Step Up Payment), and a hypothetical public offering price of $10.00 per unit. The table and examples illustrate the effect of a range of hypothetical Ending Values. **The actual amount you receive and the resulting total rate of return will depend on the actual Starting Value, Threshold Value, Ending Value, Step Up Value, Step Up Payment, the actual price you pay for the notes and whether you hold the notes to maturity.** The following examples do not take into account any tax consequences from investing in the notes.

For recent actual levels of the Index, see The Index section below. The Index is a price return index and as such the Ending Value will not include any income generated by dividends paid on the stocks included in the Index, which you would otherwise be entitled to receive if you invested in those stocks directly. In addition, all payments on the notes are subject to issuer credit risk.

Ending Value	**Percentage Change from the Starting Value to the Ending Value**	**Redemption Amount per Unit**	**Total Rate of Return on the Notes**
0.00	-100.00%	$0.00	-100.00%
50.00	-50.00%	$5.00	-50.00%
60.00	-40.00%	$6.00	-40.00%
70.00	-30.00%	$7.00	-30.00%
80.00	-20.00%	$8.00	-20.00%
90.00	-10.00%	$9.00	-10.00%
95.00	-5.00%	$9.50	-5.00%
100.00(1)(2)	0.00%	$13.30(3)	33.00%
105.00	5.00%	$13.30	33.00%
110.00	10.00%	$13.30	33.00%
120.00	20.00%	$13.30	33.00%
130.00	30.00%	$13.30	33.00%
133.00(4)	33.00%	$13.30	33.00%
140.00	40.00%	$14.00	40.00%
150.00	50.00%	$15.00	50.00%
160.00	60.00%	$16.00	60.00%

(1) The **hypothetical** Starting Value of 100 used in these examples has been chosen for illustrative purposes only, and does not represent a likely actual Starting Value for the Market Measure.
(2) This is the **hypothetical** Threshold Value.
(3) This amount represents the sum of the principal amount and the **hypothetical** Step Up Payment of $3.30.
(4) This is the **hypothetical** Step Up Value.

Redemption Amount Calculation Examples

Example 1

The Ending Value is 50.00, or 50.00% of the Starting Value:

Starting Value: 100.00

Threshold Value: 100.00

Ending Value: 50.00

$$\$10 \qquad \$10 \times \left(\frac{100 \quad 50}{100}\right) = \$5.00$$ Redemption Amount per unit

Example 2

The Ending Value is 110.00, or 110.00% of the Starting Value:

Starting Value: 100.00

Step Up Value: 133.00

Ending Value: 110.00

\$10.00 + \$3.30 = \$13.30 Redemption Amount per unit, *the principal amount plus the Step Up Payment, since the Ending Value is equal to or greater than the Starting Value, but less than the Step Up Value.*

Example 3

The Ending Value is 140.00, or 140.00% of the Starting Value:

Starting Value: 100.00

Step Up Value: 133.00

Ending Value: 140.00

$$\$10 + \$10 \times \frac{(140 - 100)}{100} = \$14.00$$

Redemption Amount per unit, *the principal amount plus a return equal to the percentage increase in the Index, since the Ending Value is greater than the Step Up Value.*

Market-Linked Step Up Notes

Linked to the Russell 1000® Value Index, due January , 2023

Risk Factors

There are important differences between the notes and a conventional debt security. An investment in the notes involves significant risks, including those listed below. You should carefully review the more detailed explanation of risks relating to the notes in the Risk Factors sections beginning on page PS-7 of product supplement EQUITY INDICES SUN-1 identified above. We also urge you to consult your investment, legal, tax, accounting, and other advisors before you invest in the notes.

Depending on the performance of the Index as measured shortly before the maturity date, your investment may result in a loss; there is no guaranteed return of principal. As a result, even if the value of the Index has increased at certain times during the term of the notes, if the Ending Value is less than the Threshold Value, you will receive less than, and possibly lose all of, your principal amount.

Your return on the notes may be less than the yield you could earn by owning a conventional fixed or floating rate debt security of comparable maturity. There will be no periodic interest payments on notes as there would be on a conventional fixed-rate or floating-rate debt security having the same maturity.

The notes are subject to the credit risk of Wells Fargo. The notes are our obligations and are not, either directly or indirectly, an obligation of any third party. Any amounts payable under the notes are subject to our creditworthiness, and you will have no ability to pursue any securities included in the Index for payment. As a result, our actual and perceived creditworthiness may affect the value of the notes and, in the event we were to default on our obligations, you may not receive any amounts owed to you under the terms of the notes.

Your investment return may be less than a comparable investment directly in the stocks included in the Index.

The estimated value of the notes is determined by our affiliate s pricing models, which may differ from those of MLPF&S or other dealers. The estimated value of the notes was determined for us by WFS using its proprietary pricing models and related market inputs and assumptions. Based on these pricing models and related market inputs and assumptions, WFS determined an estimated value for the notes by estimating the value of the combination of hypothetical financial instruments that would replicate the payout on the notes, which combination consists of a non-interest bearing, fixed-income bond (the debt component) and one or more derivative instruments underlying the economic terms of the notes (the derivative component).
The estimated value of the debt component is based on a reference interest rate, determined by WFS as of a date near the time of calculation that generally tracks our secondary market rates. Because WFS does not continuously calculate our reference interest rate, the reference interest rate used in the calculation of the estimated value of the debt

component may be higher or lower than our secondary market rates at the time of that calculation. Because the reference interest rate is generally higher than the assumed funding rate that is used to determine the economic terms of the notes, using the reference interest rate to value the debt component generally results in a lower estimated value for the debt component, which we believe more closely approximates a market valuation of the debt component than if we had used the assumed funding rate. WFS calculated the estimated value of the derivative component based on a proprietary derivative-pricing model, which generated a theoretical price for the derivative instruments that constitute the derivative component based on various inputs, including, but not limited to, Index performance; interest rates; volatility of the Index; time remaining to maturity; and dividend yields on the securities included in the Index. These inputs may be market-observable or may be based on assumptions made by WFS in its discretion.

The estimated value of the notes is not an independent third-party valuation and certain inputs to these models may be determined by WFS in its discretion. WFS s views on these inputs may differ from those of MLPF&S and other dealers, and WFS s estimated value of the notes may be higher, and perhaps materially higher, than the estimated value of the notes that would be determined by MLPF&S or other dealers in the market. WFS s models and its inputs and related assumptions may prove to be wrong and therefore not an accurate reflection of the value of the notes.

The estimated value of the notes on the pricing date, based on WFS s proprietary pricing models, will be less than the public offering price. The public offering price of the notes includes certain costs that are borne by you. Because of these costs, the estimated value of the notes on the pricing date will be less than the public offering price. The costs included in the public offering price relate to selling, structuring, hedging and issuing the notes, as well as to our funding considerations for debt of this type. The costs related to selling, structuring, hedging and issuing the notes include the underwriting discount, the projected profit that our hedge counterparty (which may be MLPF&S or one of its affiliates) expects to realize for assuming risks inherent in hedging our obligations under the notes and hedging and other costs relating to the offering of the notes. Our funding considerations are reflected in the fact that we determine the economic terms of the notes based on an assumed funding rate that is generally lower than our secondary market rates. If the costs relating to selling, structuring, hedging and issuing the notes were lower, or if the assumed funding rate we use to determine the economic terms of the notes were higher, the economic terms of the notes would be more favorable to you and the estimated value would be higher.

The public offering price you pay for the notes will exceed the initial estimated value. If you attempt to sell the notes prior to maturity, their market value may be lower than the price you paid for them and lower than the initial estimated value. This is due to, among other things, the assumed funding rate used to determine the economic terms of the notes, and the inclusion in the public offering price of the underwriting discount and the estimated cost of hedging our obligations under the notes (which includes a hedging related charge), as further described in Structuring the Notes on page TS-16. These factors, together with customary bid ask spreads, other transaction costs and various credit, market and economic factors over the term of the notes, including changes in the level of the Index, are expected to reduce the price at which you may be able to sell the notes in any secondary market and will affect the value of the notes in complex and unpredictable ways.

The initial estimated value does not represent the price at which we, MLPF&S or any of our respective affiliates would be willing to purchase your notes in any secondary market (if any exists) at any time. The value of your notes at any time after issuance will vary based on many factors that cannot be predicted with accuracy, including the performance of the Index, our creditworthiness and changes in market conditions. MLPF&S has advised us that any repurchases by them or their affiliates are expected to be made at prices determined by reference to their pricing models and at their discretion, and these prices will include MLPF&S s trading commissions and mark-ups. If you sell your notes to a dealer other than MLPF&S in a secondary market transaction, the dealer may impose its own discount or commission.

The notes will be not listed on any securities exchange or quotation system and a trading market is not expected to develop for the notes. None of us, MLPF&S or any of our respective affiliates is obligated to make a market for, or to repurchase, the notes. There is no assurance that any party will be willing to purchase your notes at any price in the secondary market. If a secondary market does exist, it may be limited, which may affect the price you receive upon any sale. Consequently, you should be willing to hold the notes until the maturity date.

If you attempt to sell the notes prior to maturity, their market value, if any, will be affected by various factors that interrelate in complex ways, and their market value may be less than the principal amount. The following factors are expected to affect the value of the notes: value of the Index at such time; volatility of the Index; economic and other conditions generally; interest rates; dividend yields; our creditworthiness; and time to maturity.

Our trading, hedging and other business activities, and those of the agents or one or more of our respective affiliates, may affect your return on the notes and their market value and create conflicts of interest with you. Our business, hedging and trading activities, and those of MLPF&S and our respective affiliates (including trading in shares of companies included in the Index), and any hedging and trading activities we, MLPF&S or our respective affiliates engage in for our clients accounts, may adversely affect the level of the Index and, therefore, adversely affect the market value of and return on the notes and may create conflicts of interest with you. We, the agents, and our respective affiliates may also publish research reports on the Index or one of the companies included in the Index, which may be inconsistent with an investment in the notes and may adversely affect the level of the Index. For more information about the hedging arrangements related to the notes, see Structuring the Notes on page TS-16.

You must rely on your own evaluation of the merits of an investment linked to the Index.

The Index sponsor may adjust the Index in a way that affects its level, and has no obligation to consider your interests.

You will have no rights of a holder of the securities included in the Index, and you will not be entitled to receive securities or dividends or other distributions by the issuers of those securities.

While we, MLPF&S or our respective affiliates may from time to time own securities of companies included in the Index, except to the extent that our common stock and the common stock of Bank of America Corporation (the parent company of MLPF&S) are included in the Index, we, MLPF&S and our respective affiliates do not control any company included in the Index, and have not verified any disclosure made by any company.

There may be potential conflicts of interest involving the calculation agents, one of which is our affiliate and one of which is MLPF&S. As joint calculation agents, we will determine any values of the Index and make any other determination necessary to calculate any payments on the notes. In making these determinations, we may be required to make discretionary judgments that may adversely affect any payments on the notes. See the sections entitled Description of the Notes Market Disruption Events, Adjustments to an Index, and Discontinuance of an Index in the accompanying product supplement.

The U.S. federal tax consequences of the notes are uncertain, and may be adverse to a holder of the notes. See United States Federal Income Tax Considerations below, Risk Factors General Risks Relating to the Notes The U.S. federal tax consequences of an investment in the notes are unclear beginning on page PS-14 of product supplement EQUITY INDICES SUN-1 and United States Federal Tax Considerations beginning on page PS-33 of product supplement EQUITY INDICES SUN-1.

Additional Risk Factors

The investment strategy represented by the Index may not be successful.

The Index measures the performance of the stocks included in the Russell 1000® Index that are determined by the sponsor of the Index to be value stocks, defined as stocks with lower price-to-book ratios and lower forecasted growth rates. The basic principle of a value investment strategy is to invest in stocks that are determined to be relatively cheap or undervalued under the assumption that the value of such stocks will increase over time as the market recognizes such stocks fair market value. However, stocks that are considered value stocks may fail to appreciate for extended periods of time, and may never realize their full potential value. In addition, stocks that are considered to be value stocks may have lower growth potential than other securities, which may cause the level of the Index to decrease over the term of the notes. Moreover, even if a value strategy on the stocks included in the Russell 1000 Index would generally be successful, the manner in which the Index implements its strategy may prove to be unsuccessful. As described below under The Index , the methodology of the Index has set parameters to determine whether a stock should be considered a value stock. The Index s parameters may not effectively implement its value strategy, and there can be no assurance that it will select stocks that are value oriented, or that the Index s methodology will not underperform any alternative implementation of such a strategy.

Accordingly, the investment strategy represented by the Index may not be successful, and your investment in the notes may result in a loss. An investment in the notes may also underperform an alternative investment linked to the Russell 1000® Index as a whole.

The Index

All disclosures contained in this term sheet regarding the Index, including, without limitation, its make-up, method of calculation, and changes in its components, have been derived from publicly available sources. That information reflects the policies of, and is subject to change by, FTSE Russell, the index sponsor. The consequences of the index sponsor discontinuing publication of the Index are discussed in the section entitled Description of the Notes Discontinuance of an Index on page PS-23 of product supplement EQUITY INDICES SUN-1. None of us, the calculation agents, or MLPF&S has independently verified the accuracy or completeness of any information with respect to the Index in connection with the offer and sale of the notes, nor accepts any responsibility for the calculation, maintenance or publication of the Index or any successor index.

In addition, information about the Index may be obtained from other sources including, but not limited to, the index sponsor s website (including information regarding the Index s sector weightings). We are not incorporating by reference into this term sheet the website or any material it includes. Neither we nor the agent makes any representation that such publicly available information regarding the Index is accurate or complete.

The Index does not reflect the payment of dividends on the stocks underlying it and therefore the payment on the notes will not produce the same return you would receive if you were able to purchase such underlying stocks and hold them until maturity.

General

The Index is a subset of the Russell 1000® Index, an equity index that measures the capitalization weighted price performance of 1,000 large and mid-capitalization stocks. The Index measures the capitalization weighted price performance of the stocks included in the Russell 1000® Index that are determined by FTSE Russell to be value stocks. FTSE Russell assigns the stocks included in the Russell 1000® Index to either the Index, or the Russell 1000® Growth Index (the Growth Index). The stocks included in the Index are those that are determined by FTSE Russell to be value stocks, defined as stocks with lower price-to-book ratios and lower forecasted growth rates, while stocks included in the Growth Index are those that are determined by FTSE Russell to be growth stocks, defined as stocks with higher price-to-book ratios and greater forecasted growth rates.

FTSE Russell s Value and Growth Style Methodology

FTSE Russell uses a non-linear probability method to assign stocks to the Index and the Growth Index. FTSE Russell uses three variables in the determination of growth and value. For value, book-to-price (B/P) ratio is used, while for growth, two variables I/B/E/S forecast medium-term growth (2-year) and sales per share historical growth (5-year) are used. The term probability is used to indicate the degree of certainty that a stock is value or growth, based on its relative book-to-price (B/P) ratio, I/B/E/S forecast medium-term growth (2 year), and sales per share historical growth (5 year). For the Russell 1000 Index, stocks are ranked by their book-to-price ratio (B/P), their I/B/E/S forecast medium-term growth (2 year) and sales per share historical growth (5 year). These rankings are converted to standardized units, where the value variable represents 50% of the score and the two growth variables represent the remaining 50%. These units are then combined to produce a composite value score (CVS). Stocks are then ranked by their CVS, and a probability algorithm is applied to the CVS distribution to assign growth and value weights to each stock. In general, stocks with a lower CVS are considered growth, stocks with a higher CVS are considered value and stocks with a CVS in the middle range are considered to have both growth and value characteristics, and are weighted proportionately in the Index and the Growth Index. Stocks are always fully represented by the combination of their growth and value weights (e.g., a stock that is given a 20% weight in the Index will have an 80% weight in the Growth Index). Style index assignment for non-pricing vehicle share classes will be based on that of the pricing vehicle and assigned consistently across all additional share classes.

Stock A, in Figure 1 below, is a security with 20% of its available shares assigned to the Index and the remaining 80% assigned to the Growth Index. The growth and value probabilities will always sum to 100%. Hence, the sum of a stock s market capitalization in the Index and the Growth Index will always equal its market capitalization in the Russell 1000® Index.

In Figure 1 above, the quartile breaks are calculated such that approximately 25% of the available market capitalization lies in each quartile. Stocks at the median are divided 50% in each of the Index and the Growth Index. Stocks above the third quartile are 100% in the Index, and stocks below the first quartile are 100% in the Growth Index. Stocks falling between the first and third quartile breaks are included in both the Index and the Growth Index to varying degrees depending on how far they are above or below the median and how close they are to the first or third quartile breaks.

5% rule. Approximately 70% of the available market capitalization is classified as all-growth or all-value. The remaining 30% of stocks have some portion of their market value in either the Index or the Growth Index, depending on their relative distance from the median value score. If a stock s weight is more than 95% in one style index, its weight is increased to 100% in that index.

Banding rule. In an effort to mitigate unnecessary turnover, FTSE Russell implements a banding methodology at the composite value score (CVS) level of the growth and value style algorithm. If a company s CVS change from the previous year is £ to +/- 0.10 and if the company remains in the same core index (e.g., the Russell 1000® Index), then the CVS remains unchanged during the next reconstitution process. Keeping the CVS static for these companies does not mean its growth/value probability will remain unchanged in all cases due to the relation of a CVS score to the overall index. However, this banding methodology seeks to reduce turnover caused by smaller, less meaningful movements while continuing to allow the larger, more meaningful changes to occur, signaling a true change in a company s relation to the market.

Missing values, negative values, or low coverage. For the Index and the Growth Index, stocks with missing or negative values for B/P, or missing values for I/B/E/S growth (negative IBES medium-term growth is valid), or missing sales per share historical growth (5yr) (6 years of quarterly numbers are required), are allocated by using the mean value score of the base index (the Russell 1000 Index) RGS (Russell Global Sectors) industry, subsector, or sector group into which the company falls. Each missing (or negative B/P) variable is substituted with the industry, subsector or sector group independently. An industry must have five members or the substitution reverts to the subsectman"> (2) (6) - (128)

Income / (Loss) before income tax	1,599	12	(280)	(124)	(2,119)
Income tax provision	-	-	-	-	24
Net Income / (loss)	1,599	12	(280)	(124)	(2,143)
Income / (loss) per Common share :					
Net Income / (loss)	$0.03	$0.00	$(0.01)	$0.00	$(0.06)
Weighted average common share used in calculation	46,156,026	44,006,575	46,656,026	44,556,575	35,439,687

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

Australian Oil & Gas Corporation
(an exploration stage enterprise)
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the nine months ended September 30, 2010 and 2009
and Cumulative from inception (August 6, 2003) to September 30, 2010 (unaudited)

(Dollar amounts in thousands – except per share data)

	For the nine months ended Sept 30, 2010 $	For the nine months ended Sept 30, 2009 $	Cumulative period from inception to Sept 30, 2010 $
Cash flows from operating activities:			
Net profit / (loss)	1,599	12	(2,143)
Adjustments to reconcile net profit/(loss) to net cash			
used in operating activities:			
Adjustments for non-cash items			
Compensation expense	90	53	845
Currency exchange loss/(gain)	28	(48)	(3)
Write down of investment	-	-	1,759
Issuance of Convertible Note in lieu of repayment of advances from director related entity	-	-	100
Gain on transfer of interest in tenement	(4,244)	(249)	(6,142)
Change in assets and liabilities:			
Increase/(decrease) in accounts payable	(3,149)	(119)	681
Increase /(decrease) in income tax payable	-	-	(9)
Decrease/(increase) in accounts receivable	(3)	(9)	79
Increase in exploration assets	(36)	-	(3,004)
Net cash used in operating activities	(5,715)	(360)	(7,837)
Cash flows from financing activities:			
Proceeds from sale of Common stock –net	-	-	75
Proceeds from advance from director-related entities	1,589	144	1,589
Proceeds from line of credit	19	-	553
Repayment of advance from director-related entities	-	-	(73)
Net cash (used in)/ provided by financing activities	1,608	144	2,144
Cash flows from investing activities:			
Proceeds from sale of tenement/tenement information	4,244	249	5,753

Net cash provided by investing activities	4,244	249	5,753
Increase/ (decrease) in cash	137	33	60
Cash at beginning of period	5	8	-
Effect of currency exchange rate fluctuations on cash held	-	-	82
Cash at end of period	142	41	142
Supplemental disclosure of non-cash activities:			
Administration Fees charged by Setright Oil & Gas Pty Ltd	2	13	244
Interest charged by Great Missenden Holdings Pty Ltd	18	2	129
Issuance of Stock for compensation and settlement of advances	-	126	852

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 FINANCIAL STATEMENTS (UNAUDITED)

The accompanying interim consolidated financial statements of Australian Oil & Gas Corporation are unaudited. However, in the opinion of management, the interim data includes all adjustments, consisting of only normal recurring adjustments, necessary for a fair presentation of the results for the interim period. The results of operations for the period ended September 30, 2010 are not necessarily indicative of the operating results for the entire year. The interim financial statements should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2009.

Note 1: Organization

Australian Oil & Gas Corporation (the Company) was incorporated in Delaware on August 6, 2003, and began operations on August 11, 2003 and is considered to be a crude petroleum and natural gas company in the exploratory stage. Since inception it has been engaged in the assessment of oil and gas exploration properties.

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

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

Nations Natural Gas Pty Ltd disposed of its wholly owned but unused dormant Australian subsidiary, Napoleon Nations Gas Pty Ltd, being surplus to its needs.

Note 2: Summary of Significant Accounting Policies

Use of estimates

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

Note 3: Related Party Transactions

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

On September 22, 2009, Great Missenden Holdings Pty Ltd advanced $200,000 on its $250,000 Line of Credit to AOGC under the terms of the Line of Credit Agreement signed between AOGC and Great Missenden Holdings Pty Ltd on February 17, 2009. This line of credit expires December 31, 2012.For the quarter ended September 30, 2010 Great Missenden Holdings Pty Ltd charged $6,620 for interest.

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. For the quarter ended September 30, 2010 Setright Oil & Gas Pty Ltd charged the Company $2,151 for the provision of accounting and administrative services rendered by third parties for the benefit of the Company, but not including services rendered by Mr. E Geoffrey Albers, who is remunerated separately by way of the issue of shares of common stock.

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

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

With regard to the Braveheart Joint Venture, Mr. Albers is a director and shareholder in each of Browse Petroleum Pty Ltd, Braveheart Petroleum Pty Ltd, Moby Oil & Gas Limited, Braveheart Energy 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 Braveheart Joint Venture.

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

At September 30, 2010 cash calls of $1,401,262 (which is included in “Loan-Director Related Party”) were due to be paid by Alpha Oil & Natural Gas Pty Ltd to the Cornea and Braveheart Joint Ventures. An agreement dealing with the liability to pay those calls has been reached. The agreement has the result that neither Braveheart Oil & Gas Pty Ltd nor Cornea Oil & Gas Pty Ltd, Alpha’s subsidiaries are treated as being in default (so that they might otherwise forfeit their respective Participating Interests in the Joint Ventures), while remaining liable to make the payments. By the agreement, each of Braveheart and Cornea have up to at least 7 July 2012 to make arrangements to satisfy their respective liabilities and may achieve this through a combination of sale of interests or by borrowing funds on commercial terms. The agreement has been entered into on terms which are favourable to Alpha and which enable Alpha to preserve any benefits which may derive from its interests in the period up to July 2012.

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

Mr. Mark A Muzzin, a director and Vice-President of AOGC is a shareholder in Exoil Limited, the parent of Braveheart Resources Pty Ltd and Cornea Resources Pty Ltd.

Note 4: Current Liabilities

At September 30, 2010 the accounts payable balance includes $90,000 for remuneration due to Mr Albers for his services, which is to be met by the issue of shares (see Management Discussion and Analysis section on Management).

Note 5: Issued Shares

At September 30, 2010, the company included 1,500,000 unissued reserved shares in its weighted average computation when calculating Earnings per Share. These shares will be used to compensate Mr Albers and will be issued in the quarter ending Dec 31, 2010 (See Note 4).

Note 6: Comprehensive Income

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

The functional currency of Australian Oil & Gas Corporation's Australian subsidiaries is the Australian dollar. The comprehensive income of $292,000 disclosed in the Consolidated Balance Sheet is the accumulation of all currency exchange differences arising from translating the Australian subsidiaries' financial statements from functional currency to presentation from the acquisition date of these Australian subsidiaries to the current balance date.

Note 7: Sale of Tenement

On February 18, 2010 AOGC's wholly owned subsidiary, Vulcan Australia Pty Ltd ("Vulcan") completed the sales of its 7.5% interest in AC/P33 to a wholly-owned subsidiary of PTT Exploration and Production Public Company Limited, a Thailand petroleum exploration and production company. Vulcan recovered $ 4,244,000 for its 7.5% interest. These proceeds have been utilized to meet a large proportion of our obligations to the Braveheart Joint Venture and Cornea Joint Venture with respect to the costs associated with the recent drilling of the Braveheart-1 well and Cornea-3 well.

Note 8: Exploration and evaluation costs

As of September 30, 2010 the company's Australian subsidiary, Alpha Oil and Natural Gas Pty Ltd (on behalf of its subsidiary Cornea Oil and Gas Pty Ltd) share of drilling costs of the Cornea-3 exploration well in WA-342-P was approximately $3,005,000. The well was drilled from December 11, 2009 to December 28, 2009. Overall, the results of Cornea-3 have defined the location of an oil column. Looking forward, the data obtained from Cornea-3 will enable the Cornea Joint Venture to formulate a future exploration, appraisal and development strategy now that an oil column has been proved and that good data relating to the potential reservoir performance has been obtained. On this basis the costs of the well have been capitalized.

As of September 30, 2010 the company's Australian subsidiary, Alpha Oil and Natural Gas Pty Ltd (on behalf of its subsidiary Braveheart Oil and Gas Pty Ltd) share of drilling costs of the Braveheart-1 exploration well in WA-333-P was $1,944,330. The well was drilled from December 29, 2009 to January 17, 2010. The well was plugged and abandoned after encountering only minor indications of hydrocarbons. On this basis all costs of the well have been written off and expensed through the statement of operations.

Note 9: Subsequent Events

The Company has evaluated subsequent events for the period from September 30, 2010, the date of these financial statements through to November 12, 2010, which represents the date these financial statements are being filed with the Commission. Pursuant to the requirements of FASB ASC Topic 855, there were no events or transactions occurring during this subsequent event reporting period that require recognition or disclosure in the financial statement.

With respect to this disclosure, the Company has not evaluated subsequent events occurring after November 12, 2010.

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

Forward-looking statements

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

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

Plan of Operation

General Australian Oil & Gas Corporation is an independent energy company focused on the acquisition of petroleum exploration permits in the offshore areas adjacent to Australia and exploration for oil and natural gas resources within the area of those permits. We rely on the considerable experience in the oil and gas industry of our President, Mr. E. Geoffrey Albers, together with our consultants, in order to identify and conduct initial analyses of permits in which we may acquire an interest.

Strategy We have devoted essentially all of our resources to the identification of large-tract exploration permits in their early stages of exploration. We have attempted to focus on areas where we consider there is potential for a high impact outcome for the Company, in the event of exploration success. We plan to advance the prospectivity of these acreages largely through the application of geological and geophysical expertise and through the provision of new 2D and 3D seismic surveys. We seek to keep our capital outlays and overheads at a minimum level by farming-out exploration costs and by retaining selected consultants, contractors and service companies to develop our exploration plays and concepts. We generally use proven technologies in evaluating the prospectivity of our oil and gas properties. We expect to invest in projects at different percentage levels of participation, including up to 100% ownership. We plan to maintain as high a participation as can be prudently managed in the early stages of a project. We focus on areas considered to have speculative near term potential for oil discovery or medium term potential for gas discovery. An important part of our strategy is to select prospective acreage which, at the seismic or drilling stage, can be farmed out and/or developed in conjunction with other, preferably larger, more financially robust petroleum industry participants, so as to reduce exploration risk (which is high) and minimize our financial outlay requirements (which are also high). We attempt to do so, wherever possible, through promoted transactions. Our overall intention is to provide shareholders with exposure to potential high level outcomes, thus providing maximum leverage at minimal cost, in return for the extreme risk activities that we undertake. The funding of our exploration programs is an on-going challenge.

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Since August 2003, when the Company began operations, we have not conducted any business which generates revenue from the sale of hydrocarbons. Accordingly, we have no results of such operations to report. We are actively pursuing our long term strategy of maintaining and maturing our oil and gas exploration, appraisal and development projects which, in the long-term and given success, may have the future potential to generate substantial revenue.

Permitting It should be noted that Australian offshore petroleum permits are initially granted for a term of 6 years, pursuant to the Offshore Petroleum and Greenhouse Gas Storage Act, 2006 (Commonwealth). Provided all exploration commitments are met, petroleum exploration permits may be renewed for two consecutive 5-year terms, with 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. Exploration permits therefore, have a potential 16-year life, subject to these requirements and to the fulfillment of exploration commitments.

Management The Company's Chairman and President, who also holds the position of Chief Executive Officer and Chief Financial Officer, Mr. E Geoffrey Albers, manages the Company's operations. On February 17, 2009 the Company signed a new four-year contract with Mr. Albers ("the Director") with respect to the continuation of his services for a further period effective from January 1, 2008 to December 31, 2011, on terms which include the following:

(i) by the Company issuing to the Director or, at the election of the Director, to the Trustee of the Fund, Common Stock in lieu of cash payments. Specifically, during the first quarter of 2009, the Company will issue 2,400,000 shares of Common Stock for his services in relation to the period from January 1, 2008 to December 31, 2008. These shares were issued March, 26, 2009.

(ii) by the Company issuing to the Director or, at the election of the Director, to the Trustee of the Fund, Common Stock in lieu of cash payments. Specifically, during the fourth quarter of 2009, the Company will issue 2,200,000 shares of Common Stock for his services in relation to the period from January 1, 2009 to December 31, 2009.

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(iii) by the Company issuing to the Director or, at the election of the Director, to the Trustee of the Fund, Common Stock in lieu of cash payments. Specifically, during each the fourth quarter of 2010, the Company will issue 2,000,000 shares of Common Stock for his services in relation to the period from January 1, 2010 to December 31, 2010.

(iv) by the Company issuing to the Director or, at the election of the Director, to the Trustee of the Fund, Common Stock in lieu of cash payments. Specifically, during the fourth quarter of 2011, the Company will issue 1,800,000 shares of Common Stock for his services in relation to the period from January 1, 2011 to December 31, 2011.

Working Capital Funding As an exploration stage enterprise, the Company has and continues to rely on capital infusions through advances from Great Missenden Holdings Pty Ltd. The Company has accepted advances and in the future anticipates that it will draw down further advances to enable it to meet its administrative costs and expenditure requirements in developing its portfolio of oil and gas interests.

Funding for Exploration Programs When the Company requires further significant funds for its exploration programs, then it is the Company's intention that the additional funds would be raised in a manner deemed most expedient by the Board of Directors at the time, taking into account budgets, share market conditions and the interest of industry in co-participation in the Company's programs.

It is the Company's intention to meet its obligations by either partial sale of the Company's interests or farm-out, the latter course of action being a fundamental part of the Company's overall strategy. Should funds be required for appraisal or development purposes the Company would, in addition, look to project loan finance.

Should these methods considered not to be viable, or in the best interests of stockholders, then it is the Company's plan that they could be raised by any one or a combination of the following manners: stock placements, pro-rata issue to stockholders, and/or an issue of stock to eligible parties.

Following implementation of our acquisition strategy, at the end of the quarter we now hold interests in 10 Petroleum Exploration Permits granted by the Commonwealth of Australia. They are held in joint venture with other parties. A summary of the permits and the current activities in each permit is set out below.

At September 30, 2010 cash calls of $1,401,262 were still to be paid by Alpha Oil & Natural Gas Pty Ltd, on behalf of its subsidiaries, to the Cornea and Braveheart Joint Ventures. An agreement dealing with the liability to pay those calls has been reached. The agreement has the result that neither Braveheart Oil & Gas Pty Ltd nor Cornea Oil & Gas Pty Ltd are treated as being in default (so that they might otherwise forfeit their respective Participating Interests in the joint Ventures), while remaining liable to make the payments. By the agreement, each of Braveheart and Cornea have up to at least July 7, 2012 to make arrangements to satisfy their respective liabilities and may achieve this through a combination of sale of interests or by borrowing funds on commercial terms. The agreement has been entered into on terms which are favourable to Alpha and which enable Alpha to preserve any benefits which may derive from its interests in the period up to July 2012.

The Nature of Prospective Resources

In this Quarterly Report we have attempted to give you our best estimate of the size of the features that we are assessing. We have referred to "Prospective Resources" when quantifying the size of the features.

The term "resources", as used in the SPE Petroleum Resources Classification System, encompass all quantities of petroleum naturally occurring on or within the Earth's crust, discovered and undiscovered (recoverable and unrecoverable), plus those quantities already produced.

The SPE resources classification system defines the major recoverable resources classes: Production, Reserves, Contingent Resources, and Prospective Resources, as well as Unrecoverable petroleum. Shareholders should understand that "Prospective Resources" are "those quantities of petroleum which are estimated, on a given date, to be potentially recoverable from undiscovered accumulations." They are not discovered resources.

Estimates of resources of any category rely on the integrity, skill, and judgement of the evaluator and are affected by the geological complexity, stage of exploration or development and amount of available data from which they are derived. The assessment of any resource is also affected by a wide range of other assumptions. Any estimate is ultimately a matter of opinion and is subject to an inherent level of uncertainty and in the case of Prospective Resources, it should be recognised that there must always be the prospect that, as the definition refers to "undiscovered accumulations", the "accumulation" might not exist, with the result that no actual resources will ultimately be discovered.

EXPLORATION AND APPRAISAL ACTIVITIES

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

Geologically, 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 ("the Territory"), an Australian offshore territory which 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.

The Territory comprises West, Middle and East Islands of Ashmore Reef, Cartier Island and a large area of territorial sea generated by those islands. The Territory is an area of active offshore oil and gas exploration. 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.

Petroleum extraction activities 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 Gas 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.

Our wholly owned subsidiary, Alpha, established a wholly owned subsidiary named Vulcan Australia Pty Ltd ("Vulcan") and transferred its interests in each of its Timor Sea permits, AC/P33 (now sold), AC/P35 and AC/P39 to Vulcan.

Joint venture operating agreements are in place for each permit. The joint ventures were or are named Oliver Joint Venture (AC/P33), Vulcan Joint Venture (AC/P35) and Nome Joint Venture (AC/P39).

Oliver Joint Venture (AC/P33)

On February 18, 2010 Vulcan completed the sale of its 7.5% interest in AC/P33 to a wholly-owned subsidiary of PTT Exploration and Production Public Company Limited, a major Thailand petroleum exploration and production company. Vulcan recovered $ 4,244,679 for its 7.5% interest. These proceeds were utilized in meeting a large proportion of our obligations to the Braveheart Joint Venture and Cornea Joint Venture with respect to the costs associated with the recent drilling of the Braveheart-1 well and Cornea-3 well. The affairs of the Oliver Joint Venture are now at an end and will no be referred to further.

Vulcan Joint Venture (AC/P35)

AC/P35 (granted October 18, 2005) comprises 46 graticular blocks, totalling approximately 3,410 km² (842,645 acres). There have been five wells drilled in the area, with two having oil and gas indications, all of which were plugged and abandoned. During the first three years of the initial 6-year term of the AC/P35 permit, we obtained a range of pertinent existing reports and open file seismic data. We also acquired the right to the reprocessed Onnia 3D seismic data-set of some 1,750 km² within AC/P35.

Our geological evaluation of this permit during the quarter saw analysis of the Fairfax feature as a focus of our exploration efforts in AC/P35. The Fairfax feature was not within the area of coverage of the Onnia 3D survey, being in the west of AC/P35 and being covered only by some older seismic lines acquired by previous explorers. We saw the potential for the Fairfax feature to be a possible mirror-image of the Oliver oil/gas accumulation. In order to better understand the feature and to advance it to lead status, we decided to acquire a 2D seismic survey to infill the existing data bank and to constrain the south-western end of the feature. The Fairfax 2D seismic was completed in 1009, with approximately 275 kms of new high quality 2D acquired, utilizing Bergen Offshore's BOS Atlantic vessel. The joint venture co-processed the new acquisition with some of the pre-existing seismic lines which were already held over the Fairfax feature.

The participants in the Vulcan Joint Venture currently are:

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

Nome Joint Venture (AC/P39)

AC/P39 (granted April 7, 2006) is located 600 km west of Darwin, immediately to the east of AC/P35. It comprises 11 graticular blocks, totalling approximately 920 km² (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 obtained a range of existing reports and open file seismic data. We acquired the reprocessed 920 km² Onnia 3D seismic survey within the permit. 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 and the likelihood of a farminee being prepared to meet the cost of such a well.

Interpretation of the 920 km² of reprocessed Onnia 3D seismic within AC/P39 is on-going. We are planning for a further 3D seismic program over our best lead in AC/P39, before making any commitment to drill a well.

We have developed nine high risk/high impact leads within AC/P39 ranging in size from a mean scope for recovery of prospective resources of 21 million barrels (Tancred NE lead) to 340 million barrels (Ceto lead).

The participants in the Nome Joint Venture are:

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

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

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

The Browse Basin permits; 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 km² (2,336,620 acres).

Our wholly owned subsidiary, Alpha, together with its joint venturers, in 2008 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 agreed to earn a 15% interest in each of the three Permits in return for Gascorp expending $1,120,000 in acquiring approximately 490 line kilometres of new 2D seismic data (the Braveheart 2D survey) in the Permits and then subsequently it reduced further as a result of Gascorp, at its cost, acquiring infill seismic and a drill site survey in order to determine a specific well location from which to test the Braveheart prospect. The seismic surveys provided further coverage of the Braveheart Prospect as well as coverage of leads within WA-332-P. As a result of these farmouts, Alpha's interest in each of the three permits reduced in two steps from 20% to 14.5%.

Separate new operating agreements were entered into for WA-332-P and WA-333-P (Braveheart) and WA-342-P (Cornea).

Braveheart Joint Venture – WA-332-P and WA-333-P

These two permits are held by the Braveheart Joint Venture, consisting of the following parties:

Moby Oil & Gas Limited	26.4375%
Braveheart Resources Pty Ltd (subsidiary of Exoil Limited)	25.3750%
Browse Petroleum Pty Ltd (subsidiary of Gascorp Australia Pty Ltd)	20.1875%
Braveheart Oil & Gas Pty Ltd (subsidiary of Australian Oil & Gas Corporation)	14.5000%
Braveheart Energy Pty Ltd (subsidiary of Goldsborough Limited)	7.2500%
Braveheart Petroleum Pty Ltd (subsidiary of Batavia Oil & Gas Pty Ltd)	6.2500%

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The Operator of the Braveheart Joint Venture is Hawkestone.

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

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

Cornea Joint Venture – WA-342-P

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

The joint venture has carried out extensive studies as to prospectivity of the known Cornea gas/oil accumulation, where it is postulated that there is scope for recovery of prospective resources of between 40 million and 90 million barrels of oil, if our geological concepts and assumptions are correct. However, the challenges at Cornea include a low permeability reservoir with difficult to model production characteristics and the long, narrow shape of the field.

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

Moby Oil & Gas Limited	22.375%
Cornea Oil & Gas Pty Ltd (subsidiary of Australian Oil & Gas Corporation)	17.000%
Cornea Resources Pty Ltd (subsidiary of Exoil Limited)	13.100%
Cornea Petroleum Pty Ltd (subsidiary of Batavia Oil & Gas Pty Ltd)	14.875%
Cornea Energy Pty Ltd (subsidiary of Goldsborough Limited)	8.500%
Octanex N.L.	10.250%
Coldron Pty Ltd (subsidiary of Gascorp Australia Pty Ltd)	7.500%
Auralandia N.L.	6.400%

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

Between the 11th and 28th of December 2009, the Cornea-3 appraisal/exploration well was drilled into the Cornea oil and gas accumulation by the Songa Venus semi-submersible rig

The objectives of the well were to define the location of the hydrocarbon contacts and to obtain data relating to the potential reservoir qualities.

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Following the conclusion of drilling, a series of logs were run, including a Magnetic Resonance log, as conventional logging tools are unable to resolve the reservoir properties due to the glauconitic nature of the rocks. In addition, a wireline formation tester was run to assess the pressure within the reservoir and to take fluid samples.

The results of the drilling and logging of Cornea-3 can be summarised as follows:

1. An oil column of 20.4m was intersected in Cornea-3 (as defined by logs and pressure data) at 808.4m MDRT.

2. A considerable number of pressure testing results were obtained which enabled the establishment of oil and water gradients and the free water level – a significant improvement on the position known in this vicinity before the well was drilled. With the assistance of further exploration wells, this information will better enable the exploration for hydrocarbons across the Cornea feature.

3. The Nuclear Magnetic Resonance (NMR) tool enabled the determination of an average effective, free fluid porosity of 16.4% for the reservoir in this well. The average inferred permeability of the reservoir in Cornea-3 is 100 millidarcies. The NMR tool also indicated an average hydrocarbon saturation of 70% for the free fluid porosity.

4. Extensive efforts were made to sample the oil but the unconsolidated nature of the reservoir meant that, on every attempt, the test tools became blocked with sand, preventing fluid sampling. However, the oil pressure gradient is consistent with 22 API oil and the NMR logging tool indicated an oil viscosity ranging from 4 centipose at the top of the column to 4.3 centipose at the base – this being less viscous than reported in samples recovered and interpreted by the previous wells in this vicinity.

The results of Cornea-3 defined the existence of a 23m oil column beneath the gas cap in this segment of the Cornea Central closure – a significant exploration result. A great deal has therefore been learned about how future exploration wells might be drilled in the greater Cornea closure. This has given the Joint Venture confidence about the ability to drill subsequent vertical and horizontal wells through the targeted sections and, to this end, the Joint Venture will investigate the best method to drill future wells.

Looking to the future, the data obtained from Cornea-3 will enable the Joint Venture to develop an ongoing exploration strategy, now that an oil column has been proved in Cornea-3 and useful data relating to the potential reservoir performance has been obtained. Continuing the current exploration phase with further exploration drilling is the necessary forerunner to any development strategy being formulated.

Prior to the end of the first term of the WA-342-P permit, the Cornea Joint Venture applied to renew the permit and is in discussions with the regulatory authorities concerning the form of the work programme to be undertaken during a renewed term.

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

The Timor Sea covers a huge area underlain by the Bonaparte sedimentary basin made up of various geological segments, with potential for new hydrocarbon discoveries. The region has a long history of exploration activity and discovery and has become a 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.

National Gas Consortium - NT/P62, NT/P65, NT/P71 and NT/P72

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 by NGA 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 3% of its 24% interest in each of the Timor Sea Permits to NGA (leaving Nations with a net 21% interest) in return for 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 was met entirely by NGA.

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 km² (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 then held six permits aggregating approximately 32,255 km² (7,970,533 acres) namely, NT/P62, NT/P63, NT/P64, NT/P65, NT/ P71 and NT/P72, all within jurisdiction of Australia.

The participants in the National Gas Consortium then were:

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

Interests in the permits NT/P71 and NT/P72, as at the end of the year, were as per the holdings shown above for the National Gas Consortium.

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

On August 29, 2009, the members of the National Gas Consortium applied for a variation in the permits NT/P62 and NT/P65 where the year 5 well obligation in each permit will be swapped for a seismic interpretation and mapping obligation from year 6.

The obligation to acquire at least 150 km of new 2D seismic data in NT/P62 was met through the completion of the Mimosa 2D survey carried out in March, 2009. Cost of the 2D survey was met by Gascorp Australia Pty Ltd as its farmin obligation.

The obligation to acquire at least 200 km of new 2D seismic data in NT/P65 was met through the completion of the Sunshine Infill 2D survey carried out in March 2009. The cost of the Sunshine survey was met entirely by Gascorp Australia Pty Ltd as its farmin obligation.

Following these farmins the interests in each of NT/P62 and NT/P65 are:

	%
Gascorp Australia Pty Ltd	12.500
National Oil & Gas Pty Ltd (Operator)	21.4375
Australian Natural Gas Pty Ltd	21.4375
National Gas Australia Pty Ltd	26.25
Nations Natural Gas Pty Ltd (AOGC subsidiary)	18.375

Stillwater Joint Venture - NT/P73

On March 27, 2007, the Australian Government granted our subsidiary, Alpha, a petroleum exploration permit, NT/P73, for an initial 6-year term. NT/P73 covers an area of 6,815 km² (1,683,300 acres). The Barossa and Caldita gas accumulations are located to the west of the NT/P73 permit area.

In the first three years of the initial 6-year term of the NT/P73 permit we have obtained existing reports and open file seismic data and mapped, interpreted and revised analyses and concepts for the area. We have elected to enter the second three years of the initial permit term and drill one exploration well and perform further interpretational work. There have been no wells drilled in the permit area.

Our work to date has focused on the Stillwater feature of the NW corner of NT/P73. We reached agreement with ConocoPhillips with respect to our right to approximately 200 kms² of 3D data acquired by ConocoPhillips in the NW corner of our NT/P73, most of which covers the highly interesting Stillwater feature, which sits en enchelon with the Caldita feature, located in the adjacent permit held by ConocoPhillips and Santos. This data has been expressed in 2D format, exceeding 2000 line kms, thus meeting our permit work obligation.

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Following the purchase of seismic and other geological and geophysical data in 2009 Gascorp Australia Pty Ltd exercised an option to acquire a 35% interest in this permit by farmin.

Following these farmin the interests in NT/P73 are:

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

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Item 3. Quantitative and Qualitative Disclosures about Market Risk.

We do not engage in transactions in derivative financial instruments or derivative commodity instruments. As of September 30, 2010, our financial instruments were not exposed to significant market risk due to interest rate risk, foreign currency exchange risk, commodity price risk or equity price risk.

Item 4. Controls and Procedures.

As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), we carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures as of September 30, 2010. This evaluation was carried out under the supervision and with the participation of our President and Chief Financial Officer. Based upon that evaluation, our President and Chief Financial Officer concluded that our disclosure controls and procedures are effective as of such date.

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

Internal Controls

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

Management's Report on Internal Control over Financial Reporting

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

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

As of September 30, 2010, management of the Company conducted as 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 September 30, 2010.

This Quarterly 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 Quarterly Report.

Part 11. OTHER INFORMATION

Item 5. Other Information

Reports on Form 8-K

The Company filed no Reports on Form 8K during the quarter ended September 30, 2010.

Item 6. Exhibits

List of Exhibits

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

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

SIGNATURES

Pursuant to the requirements of the Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

AUSTRALIAN OIL & GAS CORPORATION

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

November 12, 2010