ABN 90 008 787 988

INTERIM FINANCIAL REPORT

FOR THE HALF-YEAR ENDED JUNE 30, 2012

ABN 90 008 787 988

Corporate directory

Directors
Mr. Jonathan Stewart – Executive Chairman and CEO
Mr. Graham Dowland – Finance Director
Mr. Ian Lusted – Technical Director
Mr. Gren Schoch – Non-Executive Director
Ms. Fiona Harris – Non-Executive Director
Mr. Alan Watson – Non-Executive Director
Mr. William Molson – Non-Executive Director

Company Secretary
Ms. Julie Foster

Principal registered office in Australia
Level 20, Allendale Square
77 St Georges Terrace
Perth WA 6000 Australia
Telephone: (61 8) 9440 2626
Facsimile: (61 8) 9440 2699

Office in North America
Aurora USA Oil & Gas, Inc.
111 Louisiana St, Suite 4550
Houston, Texas 77002

Share Registers
Australia
Computershare Investor Services Pty Ltd
Level 2, 45 St Georges Terrace
Perth WA 6000
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Canada
Computershare Investor Services Inc.
100 University Avenue,
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Toronto, Ontario M5J 2Y1
Canada
Telephone: 1-800-564-6253 (In Canada)
514-982-7555 (International direct dial)

Solicitors
Australia
Gilbert & Tobin
1202 Hay Street
Perth WA 6005

Canada
Davies Ward Phillips & Vineberg LLP
44th Floor, 1 First Canadian Place
Toronto, Ontario M5X 1B1, Canada

Auditor
BDO Audit (WA) Pty Ltd
38 Station Street
Subiaco WA 6008

Bankers
Australia
Westpac Banking Corporation

United States
JP Morgan Chase Bank, N.A.

Stock Exchange Listings
The ordinary shares of Aurora Oil & Gas Limited are listed on:
Australian Securities Exchange ticker code: AUT; and
Toronto Stock Exchange ticker code: AEF.

Website and Email
www.auroraoag.com.au
info@auroraoag.com.au

Directors' report

The Directors of Aurora Oil & Gas Limited present their report on the consolidated entity consisting of Aurora Oil & Gas Limited ("Company" or "Aurora") and the entities it controlled ("Consolidated Entity" or "Group") at the end of, or during, the half-year ended June 30, 2012.

Directors

The names of directors in office at any time during the financial period or since the end of the financial period are:

Current Directors

Mr. Jonathan Stewart
Mr. Graham Dowland
Mr. Ian Lusted
Mr. Gren Schoch
Ms. Fiona Harris
Mr. Alan Watson
Mr. William Molson

Unless otherwise stated each director held their office from January 1, 2012 until the date of this report.

Principal activities

The principal activity of the Consolidated Entity during the period was oil and gas development and production. No significant change in the nature of this activity occurred during the financial period.

Dividends

No dividends have been declared, provided for or paid in respect of the half-year (June 30, 2011: none).

Consolidated results

All references in this report are to US dollars unless otherwise stated.

	Half-Year Ended June 30, 2012 US$'000	Half-Year Ended June 30, 2011 US$'000
Consolidated profit before income tax expense	**34,065**	11,728
Income tax (expense) / benefit	**(15,030)**	4,473
Net profit	**19,035**	16,201

Events occurring after reporting period

The following events occurred subsequent to the end of the year:

(a) On July 3, 2012, subsequent to acquiring in excess of 90% relevant interest in Eureka Energy Limited on July 2, 2012, the Company announced that it had commenced compulsory acquisition of the remaining Eureka shares under the compulsory acquisition provision of the *Corporations Act 2001 (Cth)* on the same terms as the on market offer dated April 30, 2012.

(b) On July 6, 2012 Aurora Oil and Gas Limited announced that its on market offer to acquire all of the ordinary shares in Eureka Energy Limited has closed. At close of the offer Aurora's relevant interest in Eureka was 98.3%.

(c) On July 31, 2012 a wholly owned subsidiary completed a follow on offering of senior unsecured notes, issuing an aggregate principal amount of US$165 million 9.875% senior unsecured notes due in 2017 at a premium of 101.5% of their face value.

(d) In July 2012 the Company entered into additional cash settled commodity swap hedging agreements to hedge 143,000 barrels of oil for the period August 2012 to December 2013 at an average Louisiana Light Sweet Price of US$96.09 per barrel.

Other than as disclosed above, no event has occurred since June 30, 2012 that would materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial statements.

Directors' report

Significant changes in the state of affairs

The significant changes in the state of affairs of the Consolidated Entity during the financial period and to the date of this report are set out in the review of operations below.

Review of operations

Field activity during the six months to June 2012 was driven by the 9 – 13 rigs operating on our acreage during this period. In total there were 72 new wells spudded, 65 wells drilled and cased and 57 wells put on production. The Operator, Marathon Oil, added a further 2 fracture stimulation crews on their acreage to those already on contract and there were between 1 and 4 active on Aurora's acreage during the 6 months to June 30, 2012.

The drilling schedule anticipates 158 wells to be spudded on Aurora's acreage during 2012. The plan is updated regularly and Aurora has advised that it expects to spud a further 48 gross wells in the third quarter of 2012.

Following the acquisition of additional working interest in the Sugarloaf AMI the following table summarises the working interests that Aurora holds in the Sugarkane Gas and Condensate Field.

AMI	Working Interest	Gross Acreage	Net Acreage
Sugarloaf*	21.8%	24,200	5,300
Longhorn	31.9%	28,200	9,000
Ipanema	36.4%	4,400	1,600
Excelsior	9.1%	19,900	1,800
Total		76,700	17,700

* The Sugarloaf interests shown in this table do not include the 6.25% WI that Eureka Energy holds in this AMI. Eureka Energy was the subject of an on market offer by Aurora and at June 30, 2012 Aurora held approximately 75% of the available issued shares. Subsequent to the period this increased to 98.3% and compulsory acquisition has commenced for the remaining shares.

On March 20, 2012 Aurora released its annual reserve report update, effective December 31, 2011, that was assessed by Ryder Scott. The following table provides a detailed summary of the reserves allocated to Aurora.

Reserves Category[1]	**Light and Medium Oil (Mbbls)**		**NGLs and Condensate (Mbbls)**		**Natural Gas (MMscf)**		**BOE**[2] **(Mbbls)**	
	Gross	**Net**	**Gross**	**Net**	**Gross**	**Net**	**Gross**	**Net**
Proved Developed Producing	2,126	1,531	1,516	1,102	6,325	4,586	4,697	3,397
Proved Developed Not Producing	700	516	106	78	908	670	957	706
Proved Undeveloped	27,525	20,209	29,027	21,261	109,064	79,982	74,730	54,801
Total Proved (1P)	**30,352**	**22,256**	**30,649**	**22,441**	**116,296**	**85,238**	**80,383**	**58,903**
Probable	4,561	3,345	4,329	3,169	16,861	12,359	11,700	8,575
Proved + Probable (2P)	**34,913**	**25,601**	**34,977**	**25,610**	**133,157**	**97,597**	**92,083**	**67,478**
Possible	0	0	15,676	11,550	98,264	72,391	32,053	23,614
Proved + Probable + Possible (3P)[3]	**34,913**	**25,601**	**50,654**	**37,160**	**231,421**	**169,988**	**124,137**	**91,092**

[1] The Numbers in this table are subject to rounding errors.
[2] BOEs may be misleading, particularly if used in isolation. A BOE conversion ratio of 6Mcf:1bbl is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead.
[3] Possible reserves are those reserves that are less certain to be recovered than probable reserves. There is a 10% probability that the quantities actually recovered will equal or exceed the sum of the proved plus probable plus possible reserves.

Environmental regulation

During the financial period, the Consolidated Entity was not aware of any material breach of any particular or significant Australia or US Federal or State regulation in respect to environmental management.

A review of the Consolidated Entity's operations during the half-year, determined that the Consolidated Entity did not exceed the energy consumption or carbon dioxide emission reporting thresholds set by The National Greenhouse and Energy Reporting Act 2007.

Likely developments

The review of operations of the Consolidated Entity provides an indication, in general terms, of the likely developments and the expected results of the operations. Based on the current drilling program for the remainder of 2012 the integration of the acquisition completed in the reporting period and current commodity prices, management expects growth in production, revenue and profitability to continue throughout 2012.

The Company had a net working capital balance of $16.1 million at June 30, 2012. In July 2012 the Company issued additional senior unsecured notes, raising $163 million (after costs of issue).These amounts, together with an undrawn secured credit facility of $85 million and an increasing production and revenue stream, means that the Company is well funded to participate in the planned development program throughout the remainder of 2012 and the anticipated program in 2013.

Rounding off of amounts

The Company is of a kind referred to in ASIC Class Order 98/0100, dated July 10, 1998 and in accordance with that Class Order amounts in the Directors' Report and Financial Statements are rounded off to the nearest thousand dollars, unless otherwise indicated.

Auditor's Independence Declaration

The Auditor's independence declaration as required by section 307C of the *Corporations Act 2001* is included on page 5 of the half-year financial report.

Signed in accordance with a resolution of the Directors made pursuant to section 306(3)(a) of the *Corporations Act 2001*.

On behalf of the Directors

JONATHAN STEWART
Executive Chairman
Perth, Western Australia

August 9, 2012

Auditor's independence declaration

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38 Station Street
Subiaco, WA 6008
PO Box 700 West Perth WA 6872
Australia

9 August 2012

The Board of Directors
Aurora Oil & Gas Limited
Level 20, 77 St Georges Terrace,
PERTH WA 6000

Dear Sirs,

DECLARATION OF INDEPENDENCE BY GLYN O'BRIEN TO THE DIRECTORS OF AURORA OIL & GAS LIMITED

As lead auditor for the review of Aurora Oil & Gas Limited for the six month period ended 30 June 2012, I declare that to the best of my knowledge and belief, there have been:

- no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- no contraventions of any applicable code of professional conduct in relation to the review.

This declaration is in respect of Aurora Oil & Gas Limited and the entities it controlled during the period.

Glyn O'Brien
Director

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INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF AURORA OIL & GAS LIMITED

Report on the Half-Year Financial Report

We have reviewed the accompanying half-year financial report of Aurora Oil & Gas Limited, which comprises the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the half-year ended on that date, notes comprising a statement of accounting policies and other explanatory information, and the directors' declaration of the consolidated entities comprising the disclosing entity and the entity it controlled at the half-year's end or from time to time during the half-year.

Directors' Responsibility for the Half-Year Financial Report

The directors of the disclosing entity are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such internal control as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express a conclusion on the half-year financial report based on our review. We conducted our review in accordance with Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Aurora Oil & Gas Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Aurora Oil & Gas Limited, would be in the same terms if given to the directors as at the time of this auditor's review report.

Independent review report

BDO

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Aurora Oil & Gas Limited is not in accordance with the *Corporations Act 2001* including:

(a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2012 and of its performance for the half-year ended on that date; and

(b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

BDO Audit (WA) Pty Ltd

BDO
Glyn O'Brien

Glyn O'Brien
Director

Perth, Western Australia
Dated this 9th day of August 2012

Directors' declaration

In the Directors' opinion:

(a) the financial statements and accompanying notes set out on pages 9 to 25, are in accordance with the *Corporations Act 2001,* including:

(i) complying with Accounting Standards and the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(ii) giving a true and fair view of the Consolidated Entity's financial position as at June 30, 2012 and of its performance for the half-year ended on that date.

(b) there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors pursuant to section 306(3)(a) of the *Corporations Act 2001.*

JONATHAN STEWART
Executive Chairman
Perth, Western Australia

August 9, 2012

Consolidated statement of comprehensive income

For the half-year ended June 30, 2012

	Note	Consolidated June 30, 2012 US$'000	Consolidated June 30, 2011 US$'000
Revenue from continuing operations		**97,057**	24,850
Other income		**4,967**	1,170
Total income	4	**102,024**	26,020
Royalties	4	**(25,795)**	(6,553)
Production and operating expenses	4	**(11,857)**	(1,717)
Administrative expenses		**(6,196)**	(3,565)
Depreciation and depletion expense	4	**(10,008)**	(1,203)
Share-based payment expenses	4	**(2,305)**	(1,240)
Evaluation costs	4	**(3,043)**	(14)
Finance costs	4	**(8,755)**	-
Profit from continuing operations before income tax expense		**34,065**	11,728
Income tax (expense) / benefit	5	**(15,030)**	4,473
Net profit attributable to members of the Company		**19,035**	16,201
Other comprehensive income			
Changes in fair value on equity instruments measured at fair value through other comprehensive income		**2,558**	(1,017)
Change in fair value of cash flow hedges		**1,073**	-
Other comprehensive income / (expense) for the period net of tax		**3,631**	(1,017)
Total comprehensive income for the period attributable to members of the Company		**22,666**	15,184
Earnings per share attributable to members of the Company			
Basic earnings per share (US cents per share)		**4.56**	3.99
Diluted earnings per share (US cents per share)		**4.48**	3.92

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

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Consolidated statement of financial position

As at June 30, 2012

	Note	Consolidated June 30, 2012 US$'000	December 31, 2011 US$'000
Current assets			
Cash and cash equivalents		**118,930**	70,246
Trade and other receivables	6	**52,300**	14,626
Total current assets		**171,230**	84,872
Non-current assets			
Other financial assets	7	**1,593**	2,507
Derivative financial instrument	10	**1,534**	-
Property, plant and equipment	8	**26,032**	21,319
Oil and gas properties	9	**666,108**	272,128
Total non-current assets		**695,267**	295,954
Total assets		**866,497**	380,826
Current liabilities			
Trade and other payables	11	**154,828**	73,434
Provisions	12	**315**	92
Total current liabilities		**155,143**	73,526
Non-current liabilities			
Borrowings	13	**206,331**	30,000
Deferred tax liabilities	14	**61,322**	1,643
Provisions	15	**1,157**	565
Total non-current liabilities		**268,810**	32,208
Total liabilities		**423,953**	105,734
Net assets		**442,544**	275,092
Equity			
Contributed equity	16	**405,325**	290,194
Share-based payment reserve		**10,073**	7,767
Fair value reserve		**(5,453)**	(8,011)
Foreign Exchange Reserve		**(7,505)**	(7,505)
Cash flow hedges reserve		**1,073**	-
Accumulated profit / (loss)		**11,682**	(7,353)
		415,195	275,092
Non-controlling interests		**27,349**	-
Total equity		**442,544**	275,092

The above consolidated statement of financial position should be read in conjunction with the accompanying notes

Consolidated statement of changes in equity

For the half-year ended June 30, 2012

	Contributed Equity	Other Reserve	Accumulated Profit / Loss	Total	Non – Controlling Interests	Total
	US$'000	US$'000	US$'000	US$'000	US$'000	US$'000
Balance at January 1, 2011	222,730	10,738	(30,609)	202,859	-	202,859
Adjustment arising from change in functional currency on January 1, 2011	28,565	(21,237)	(7,328)	-	-	-
Balance as at January 1, 2011 restated	251,295	(10,499)	(37,937)	202,859	-	202,859
Profit for the period	-	-	16,201	16,201	-	16,201
Other comprehensive income						
Change in fair value of equity instruments measured at fair value through other comprehensive income	-	(1,017)	-	(1,017)	-	(1,017)
Total comprehensive income for the period	-	(1,017)	16,201	15,184	-	15,184
Transactions with owners, in their capacity as owners						
Contributed equity net of transaction costs	38,723	-	-	38,723	-	38,723
Options and performance rights expense recognised during the period	-	1,240	-	1,240	-	1,240
Balance as at June 30, 2011	290,018	(10,276)	(21,736)	258,006	-	258,006
Balance as at January 1, 2012	**290,194**	**(7,749)**	**(7,353)**	**275,092**	**-**	**275,092**
Profit for the period	**-**	**-**	**19,035**	**19,035**	**-**	**19,035**
Other comprehensive income						
Change in fair value of equity instruments measured at fair value through other comprehensive income	**-**	**2,517**	**-**	**2,517**	**-**	**2,517**
Change in fair value of cash flow hedges	**-**	**1,073**	**-**	**1,073**	**-**	**1,073**
Recognition of fair value of equity instruments measured at fair value through other comprehensive income on disposal	**-**	**41**	**-**	**41**	**-**	**41**
Total comprehensive income for the period	**-**	**3,631**	**19,035**	**22,666**	**-**	**22,666**
Transactions with owners, in their capacity as owners						
Contributed equity net of transaction costs	**115,131**	**-**	**-**	**115,131**	**-**	**115,131**
Options and performance rights expense recognised during the period	**-**	**2,306**	**-**	**2,306**	**-**	**2,306**
Non-controlling interest on acquisition of subsidiary	**-**	**-**	**-**	**-**	**27,349**	**27,349**
Balance as at June 30, 2012	**405,325**	**(1,812)**	**11,682**	**415,195**	**27,349**	**442,544**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Consolidated statement of cash flows

For the half-year ended June 30, 2012

	Note	Consolidated June 30, 2012 US$'000	Consolidated June 30, 2011 US$'000
Cash flows from operating activities			
Receipts from oil and gas sales		**50,092**	6,119
Payments to suppliers and employees		**(22,099)**	(3,914)
Other revenue		**1,167**	-
Interest paid		**(120)**	-
Net cash inflow from operating activities		**29,040**	2,205
Cash flows from investing activities			
Payments for capitalised oil and gas assets		**(169,219)**	(34,510)
Payment for property, plant and equipment		**(18,019)**	(2,949)
Payment for other financial assets		**(252)**	-
Payment for acquisition of subsidiary, net of cash acquired	17	**(71,416)**	-
Interest received		**193**	561
Net cash (outflow) from investing activities		**(258,713)**	(36,898)
Cash flows from financing activities			
Proceeds from issues of shares		**120,138**	41,770
Share issue costs		**(5,007)**	(3,157)
Proceeds from borrowings		**197,104**	-
Repayment of borrowings		**(30,000)**	-
Borrowing costs		**(5,649)**	-
Net cash inflow from financing activities		**276,586**	38,613
Net increase in cash and cash equivalents		**46,913**	3,920
Cash and cash equivalents at the beginning of the financial period		**70,246**	45,997
Effect of exchange rates on cash holdings in foreign currencies		**1,771**	596
Cash and cash equivalents at the end of the financial period		**118,930**	50,513

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements
For the half-year ended June 30, 2012

1. Basis of Preparation

The financial report consists of consolidated financial statements for Aurora Oil and Gas Limited and its subsidiaries (“Group” or “Consolidated Entity”).

These general purpose financial statements for the period ended June 30, 2012 have been prepared in accordance with Australian Accounting Standard 134 *Interim Financial Reporting* and the *Corporations Act 2001.*

The interim financial report does not include all the notes of the type normally included in annual financial statements. Accordingly, this financial report should be read in conjunction with the most recent annual financial report for the year ended December 31, 2011 and any public announcements made by the Company during the interim period in accordance with the disclosure requirements of the *Corporations Act 2001*.

The accounting policies adopted are consistent with those of the previous financial period. All references in this report are to US dollars unless otherwise stated.

The Company has considered the impact of new standards not yet effective and do not consider that they would have a material impact on the Company’s financial statements.

2. Segment information

Management has determined, based on the reports reviewed by the CEO and used to make strategic decisions, that the Group has one reportable segment being oil and gas exploration and production in the United States of America. The Group’s management and administration office is located in Australia.

The CEO reviews internal management reports on a monthly basis that are consistent with the information provided in the statement of comprehensive income, statement of financial position and statement of cash flows. As a result no reconciliation is required, because the information as presented is used by the CEO to make strategic decisions.

Reportable segment revenue
Revenue, including interest income, is disclosed below based on the reportable segment:

	June 30, 2012 US$'000	June 30, 2011 US$'000
Revenue from oil and gas exploration and production	**96,864**	24,137
Revenue from other corporate activities	**5,160**	1,883
	102,024	26,020

Reportable segment assets
Assets are disclosed below based on the reportable segment:

	June 30, 2012 US$'000	December 31, 2011 US$'000
Assets from oil and gas exploration and production	**742,719**	306,173
Assets from corporate activities:		
Cash and cash equivalents	**118,930**	70,246
Other corporate assets	**4,848**	4,407
	866,497	380,826

2. Segment information (continued)

Reportable segment profit
Profit / (loss) is disclosed below based on the reportable segment:

	June 30, 2012 US$'000	June 30, 2011 US$'000
Profit from oil and gas exploration and production	**22,166**	19,121
(Loss) from other corporate activities	**(3,131)**	(2,920)
	19,035	16,201

3. Dividends

No dividend has been paid or is proposed in respect of the half year period ended June 30, 2012 (June 30, 2011: None).

4. Profit for the half-year

Profit for the half year includes the following items which are significant because of their nature, size or incidence:

	Note	**Consolidated**	
		June 30, 2012 US$'000	June 30, 2011 US$'000
Income			
Revenue from continuing operations			
Oil and gas sales		**97,031**	24,137
Realised loss on forward commodity price contract		**(167)**	-
Interest		**193**	473
Other		**-**	240
		97,057	24,850
Other income			
Foreign exchange gain	*(i)*	**3,029**	1,170
Net gain on sale of available-for-sale financial assets		**770**	-
Net realised gain on foreign currency derivatives not qualifying as hedges		**1,167**	-
Other		**1**	-
		4,967	1,170

(i) During the half year period ended June 30, 2012 and the comparable period ended June 30, 2011 the Consolidated Entity recognised an unrealised foreign exchange gain in relation to the retranslation of Australian and Canadian dollar denominated cash and cash equivalents.

4. Profit for the half-year (continued)

		Consolidated	
		June 30, 2012 US$'000	June 30, 2011 US$'000
Expenses			
Royalties expense	*(ii)*	**(25,795)**	(6,553)
Production and operating expenses			
Sales taxes	*(iii)*	**(3,289)**	(884)
Operating expenses	*(iv)*	**(8,568)**	(833)
Total production and operating expenses		**(11,857)**	(1,717)
Depletion and depreciation			
Depletion	*(v)*	**(9,313)**	(1,203)
Depreciation	*(vi)*	**(695)**	-
Total depletion and depreciation expense		**(10,008)**	(1,203)
Share-based payment expense	*(vii)*	**(2,305)**	(1,240)
Finance costs			
Interest expense		**(7,783)**	-
Amortisation of borrowing costs		**(746)**	-
Amortisation of debt discount		**(226)**	-
Total finance costs	*(viii)*	**(8,755)**	-
Evaluation costs written off	*(ix)*	**(3,043)**	(14)

(ii) Aurora pays royalties to the owners of the petroleum rights on the land in which the Group owns lease interests. Royalties, as a percentage of production revenue, are payable in accordance with the terms of individual leasehold agreements and are generally payable for the production life of each well within the leasehold area.

(iii) Sales taxes include local tax expense and severance tax payable in the State of Texas, USA.

(iv) Operating expenses include field operating costs and transportation.

(v) Depletion is calculated based on estimated remaining Proven and Probable reserves.

(vi) Depreciation is calculated using the reducing balance method to allocate the cost of property, plant and equipment over their useful lives.

(vii) The Group issued performance rights to key management personnel on February 19, 2010 and to key management personnel and employees under Aurora's Long Term Incentive Plan ("LTIP") on May 29, 2012. The Group issued options to key management personnel between November 2010 and June 2011. For the period to June 30, 2012 a performance right expense of US$68,805 (June 30, 2011: US$63,012) and an option expense of US$2,236,547 (June 30, 2011: US$1,176,942) was recognised.

(viii) Finance costs were incurred in respect of the senior secured revolving credit facility entered into on November 7, 2011 and the senior unsecured notes issued on February 8, 2012.

(ix) Evaluation costs written off during the period ended June 30, 2012 consisted of ancillary costs incurred in relation to the on market bid for the issued share capital of Australian Securities Exchange (ASX) listed Eureka Energy Limited ("Eureka") and evaluation expenditure that could not be directly attributable to the acquisition, construction or production of a qualifying asset providing probable future economic benefits to the entity.

5. Income tax

	Consolidated	
	June 30, 2012 US$'000	June 30, 2011 US$'000
(a) Income tax expense		
Current tax	**-**	-
Deferred tax	**15,030**	(4,473)
Income tax expense / (benefit)	**15,030**	(4,473)
(b) Numerical reconciliation of income tax expense to prima facie tax payable		
Profit from continuing operations before income tax expense	**34,065**	11,728
Tax at the Australian statutory tax rate of 30% (June 30, 2011: 30%)	**10,220**	3,518
Tax effect of amounts that are not deductible (taxable) in calculating taxable income		
Share-based payment expense	**540**	350
Foreign exchange gains not assessable	**(907)**	3,319
Revenue losses not previously recognised now brought to account	**(290)**	(550)
Overseas revenue losses not recognised	**666**	(10,430)
Income tax rate differences	**3,216**	(819)
Other non-allowable deductions	**1,585**	139
Income tax expense / (benefit)	**15,030**	(4,473)
(c) Tax expense (income) relating to items of other comprehensive income		
Available for sale financial assets	**2,338**	-
Cash flow hedges	**(460)**	-
	1,878	-

6. Trade and other receivables

		Consolidated	
		June 30, 2012 US$'000	December 31, 2011 US$'000
Trade receivables	*(i)*	**52,300**	14,626

(i) **Trade receivable**
Trade receivables represents revenue earned but not yet received from the production and sale of oil, natural gas and natural gas liquids.

(ii) **Impaired trade receivables**
No Group trade receivables were past due or impaired as at June 30, 2012 (December 31, 2011: Nil) and there is no indication that amounts recognised as trade and other receivables will not be recovered in the normal course of business.

7. Other Financial Assets

	Consolidated	
	June 30, 2012 US$'000	December 31, 2011 US$'000
Non-current		
Financial assets at fair value through other comprehensive income	**1,593**	2,507

(a) Significant interest in other financial assets

An interest in a financial asset is considered 'significant' when Aurora holds 5% or more of issued share capital.

Aurora holds a significant interest in Elixir Petroleum Ltd. As at June 30, 2012, Aurora held 33,833,334 fully paid ordinary shares in Elixir Petroleum Ltd (December 31, 2011: 29,000,000), representing approximately 12.20% of its total issued capital. The market value of these securities at June 30, 2012 was US$1,593,374 (December 31, 2011: US$2,507,000).

Included in the statement of comprehensive income is US$2,517,000 (December 31, 2011: (US$1,302,000)) which represents the movement in the financial assets at fair value through other comprehensive income.

8. Property, plant and equipment

	Consolidated	
	June 30, 2012 US$'000	December 31, 2011 US$'000
Production facilities and field equipment		
Production facilities and field equipment at cost	**26,383**	21,468
Production facilities and field equipment accumulated depreciation	**(1,484)**	(880)
Net production facilities and field equipment	**24,899**	20,588
Office equipment		
At cost	**1,273**	780
Accumulated depreciation	**(140)**	(49)
Net office equipment	**1,133**	731
Total property, plant and equipment	**26,032**	21,319

9. Oil and gas properties

	Consolidated	
	June 30, 2012 US$'000	December 31, 2011 US$'000
Producing projects		
At cost	**678,960**	275,671
Accumulated amortisation	**(13,602)**	(3,543)
Net carrying value	**665,358**	272,128
Development projects		
At cost	**750**	-
Net carrying value	**750**	-
Total	**666,108**	272,128

A reconciliation of movements in oil and gas properties during the half-year is as follows:

Producing projects		
Cost		
Opening balance	**275,671**	117,161
Transfer from development projects	**-**	38,508
Additions	**402,712**	112,914
Increase in restoration provision	**592**	565
Transfer to property, plant and equipment	**-**	(171)
Net movement in prepaid costs	**(15)**	6,694
Closing balance	**678,960**	275,671
Accumulated Depletion and Amortisation		
Opening balance	**(3,543)**	(39)
Depletion and amortisation charge	**(10,059)**	(3,504)
Closing balance	**(13,602)**	(3,543)
Net carrying value		
Opening carrying value	**272,128**	117,122
Closing carrying value	**665,358**	272,128
Development projects		
Cost		
Opening balance	**-**	38,508
Additions	**750**	-
Transfer to producing projects	**-**	(38,508)
Closing balance	**750**	-
Net carrying value		
Opening carrying value	**-**	-
Closing carrying value	**750**	-

10. Derivative financial instrument

	Consolidated	
	June 30, 2012 US$'000	December 31, 2011 US$'000
Forward commodity contracts – cash flow hedges		
Current	**1,110**	-
Non - current	**424**	-
Total non-current derivative financial instrument liabilities	**1,534**	-

Instruments used by the group
The Group is a party to derivative financial instruments entered into in the normal course of business in order to hedge exposure to fluctuations in commodity prices in accordance with the group's financial risk management policies.

Forward commodity price contracts – cash flow hedges
At June 30, 2012, the Group has various oil commodity contacts designated as hedges of expected future oil sales. These contracts are all designated as cash flow hedges and are used to reduce the exposure to a future decrease in the value of oil sales. The outstanding contracts held by the Group at June 30, 2012 are as follows:

Year of delivery	Subject of contract	Reference	Option traded	Barrels	US$/barrel
2012 – (July to December)	Oil	Nymex	Swap	52,500	95.70
2012 – (July to December)	Oil	Nymex	Swap	52,500	93.26
2013	Oil	Nymex	Swap	51,000	92.90
2013	Oil	Nymex	Swap	51,000	91.40
2014	Oil	Nymex	Swap	39,000	91.00
2014	Oil	Nymex	Swap	39,000	90.31
Total				**285,000**	

The hedge contracts are to be settled at a rate of between 15,000 to 20,000 barrels per month in 2012, 6,000 to 9,000 barrels per month in 2013 and 6,000 to 7,000 barrels per month in 2014.

The portion of the gain or loss on the hedging instrument that is determined to be an effective hedge is recognised in other comprehensive income. When the cash flows occur, the Group adjusts the initial measurement of the component recognised in the statement of financial position by removing the related amount from other comprehensive income.

11. Trade and other payables

	Consolidated	
	June 30, 2012 US$'000	December 31, 2011 US$'000
Trade payable	**154,828**	73,434

Trade and other payables are normally settled within 30 days from receipt of invoice. All amounts recognised as trade and other payables, but not yet invoiced, are expected to be settled within the next 12 months.

12. Provisions – Current

	Consolidated	
	June 30, 2012 US$'000	December 31, 2011 US$'000
Employee benefits	**315**	92

13. Borrowings

		Consolidated	
		June 30, 2012 US$'000	December 31, 2011 US$'000
Secured			
Senior secured syndicated facility	(a)	**-**	30,000
Senior secured term debt facility	(b)	**9,000**	-
Unsecured			
Senior unsecured notes	(c)	**197,331**	-
		206,331	30,000

(a) Senior Secured Revolving Credit facility

On November 8, 2011, Aurora USA Oil and Gas Inc. ("Aurora USA"), a wholly owned subsidiary of the Company, signed a credit agreement with a syndicate of banks, pursuant to which up to US$300 million is available on a revolving basis at a margin of between 2 and 4 per cent over the floating LIBOR rate. The Facility ("Facility") contains negative and affirmative covenants and matures on November 7, 2016.

The funding under the Facility will be provided with availability determined, at a minimum on a semi-annual basis, relative to a borrowing base calculated by reference to proved reserves. The Facility is designed for the borrowing base to increase with Aurora's increased proved reserves, subject to and in accordance with the terms of the credit agreement. At June 30, 2012 the borrowing base is US$85 million and no amount has been drawn.

Aurora USA's obligations under the Facility are guaranteed by pledged security from the parent entity, Aurora, and the subsidiaries of Aurora USA. At June 30, 2012, the following investment property remained pledged as security:

Owner / Grantor	Issuer	Percentage Owned	Percentage Pledged	Class of stock
Aurora Oil and Gas Limited	Aurora USA Oil and Gas Inc.	100%	100%	Common Stock
Aurora USA Oil and Gas Inc.	Aurora West Coast Oil Inc.	100%	100%	Common Stock
Aurora USA Oil and Gas Inc.	Wardanup Oil and Gas Inc.	100%	100%	Common Stock
Aurora USA Oil and Gas Inc.	West Black Lake Oil and Gas Inc.	100%	100%	Common Stock
Aurora USA Oil and Gas Inc.	Sugarloaf Oil and Gas Inc.	100%	100%	Common Stock
Aurora USA Oil and Gas Inc.	Yallingup Oil and Gas Inc.	100%	100%	Common Stock
Aurora USA Oil and Gas Inc.	Meelup Oil and Gas Inc.	100%	100%	Common Stock
Aurora USA Oil and Gas Inc.	Mullaloo Oil and Gas Inc.	100%	100%	Common Stock
Aurora USA Oil and Gas Inc.	Trigg Oil and Gas Inc.	100%	100%	Common Stock

The carrying value of assets pledged as securities for non-current borrowings is US$284,656,000.

13. Borrowings (continued)

In addition to investment property pledged, a negative pledge imposes that certain financial covenants be maintained by Aurora, Aurora USA and its subsidiaries.

On November 17, 2011, US$30 million was drawn down under the Facility. During the period ended March 31, 2012, the Group repaid 100% of the senior secured syndicated facility outstanding balance upon closing of the senior unsecured note offering in February 2012.

(b) Senior Secured Term Debt Facility

On May 18, 2012 Eureka Energy Limited ("Eureka"), prior to becoming a 75.03% owned subsidiary of the Company as at reporting date, signed a Term Debt Facility agreement with Macquarie Bank Limited, pursuant to which US$15 million was available at a margin of 7 per cent over the floating LIBOR rate. The Term Debt Facility contains negative and affirmative covenants and matures on May 18, 2015. On May 23, 2012, US$9 million was drawn down under Tranche A of the Term Debt Facility. Subsequent to June 30, 2012, the Term Debt Facility was repaid and terminated, as disclosed in note 20.

(c) Senior unsecured note

On February 8, 2012 Aurora USA Oil and Gas Inc. ("Aurora USA"), a wholly owned subsidiary of the Company, completed a private offering of unsecured notes ("Senior Note Offering"). Under the Senior Note Offering, Aurora USA issued an aggregate principal amount of $200 million 9.875% senior unsecured notes due February 2017 at an issue price of 98.552% of their face value, resulting in net proceeds of approximately $192 million after deduction of the original discount and commissions. The senior notes were issued pursuant to an indenture dated February 8, 2012 by and amongst Aurora USA, the guarantor parties thereto and US Bank National Association, as trustee.

14. Deferred tax

	Consolidated	
	June 30, 2012 US$'000	December 31, 2011 US$'000
(a) Deferred tax asset		
Arising from temporary differences attributable to:		
Tax losses [(1)]		
Australia	**248**	284
United States	**61,259**	42,623
Share issue expense	**519**	239
Other	**12,458**	7,406
Total deferred tax asset	**74,484**	50,552
Less set off of deferred tax liabilities under set-off provisions (b)	**(74,484)**	(50,552)
(b) Deferred tax liability		
Arising from temporary differences attributable to:		
Available-for-sale financial assets	**2,338**	-
Cash flow hedge	**(460)**	-
Oil and gas properties	**(137,159)**	(52,189)
Other	**(525)**	(6)
Total deferred tax liabilities	**(135,806)**	(52,195)
Less set off of deferred tax asset under set-off provisions (a)	**74,484**	50,552
Net deferred tax liabilities	**(61,322)**	(1,643)
Deferred tax liabilities expected to be settled within 12 months	**-**	-
Deferred tax liabilities expected to be settled after more than 12 months	**(61,322)**	(1,643)

1. *The deferred tax assets arising from accumulated tax losses for US taxpaying entities and on US based oil and gas properties have been calculated at the marginal tax rate of 35%.*

15. Provisions – Non-current

	Consolidated	
	June 30, 2012 US$'000	December 31, 2011 US$'000
Restoration provision	**1,157**	565

Provisions for future removal and restoration costs are recognised where there is a present obligation as a result of exploration, development, production, transportation or storage activities having been undertaken, and it is probably that an outflow of economic benefits will be required to settle the obligation. The estimated future obligations include the costs of removing facilities, abandoning wells and restoring the affected areas.

16. Contributed capital

Movements in contributed equity during the current and prior financial period are as follows:

	Date	Number of Securities	Issue Price	US$'000
Balance January 1, 2011 restated		**383,455,342**		**251,295**
Placement	25-Jan-11	23,399,480	A$1.60	37,212
Placement	25-Jan-11	2,760,520	C$1.60	4,433
Options Exercise	01-Apr-11	250,000	A$0.50	129
Prospectus Share Issue	09-Jun-11	1	A$3.00	-
Performance rights exercise	26-Aug-11	1,290,000	-	-
Option Exercise	17-Nov-11	500,000	A$0.70	356
Share issue costs				(3,231)
Balance at December 31, 2011		**411,655,343**		**290,194**
Placement	28-May 12	**15,802,816**	A$3.55	**54,721**
Placement	04-Jun-12	**18,000,000**	C$3.55	**61,359**
Placement	28-Jun-12	**1,137,619**	A$3.55	**4,058**
Share issue costs				**(5,007)**
Balance at June 30, 2012		**446,595,778**		**405,325**

17. Business combination

(a) Summary of acquisition

On April 30, 2012 Aurora Oil and Gas Limited ("Aurora") announced an unconditional on-market cash offer of A$0.45 per share for all issued ordinary shares of ASX listed Eureka Energy Limited ("Eureka"). On June 30, 2012 Aurora had acquired 75.03% of the issued share capital of Eureka, and it was determined that control existed on this date.

Details of the purchase consideration, the net assets acquired and the fair value of net assets acquired are as follows:

	US$'000
Purchase consideration (refer to (b) below):	
Cash paid	**78,787**
Fair value of shares owned prior to the on-market cash offer	**3,405**
Total purchase consideration	**82,192**

17. Business combination (continued)

The assets and liabilities provisionally recognised from the unaudited financial statements of the acquiree as a result of the acquisition are as follows:

		Fair value US$'000
Cash and cash equivalents		**7,371**
Trade and other receivables		**1,636**
Property, plant and equipment		**360**
Oil and gas properties		**164,664**
Trade and other payables		**(8,830)**
Borrowings		**(9,000)**
Deferred tax liability		**(46,526)**
Provisions		**(134)**
Net identifiable assets acquired		**109,541**
Less: non-controlling interests	*(i)*	**(27,349)**
Net assets acquired		**82,192**

(i) Non-controlling interest
Aurora has elected to recognise the non-controlling interest in Eureka Energy Limited at its proportional share of the acquired net identifiable assets.

(ii) Revenue and profit contribution
If the acquisition had occurred on January 1, 2012, consolidated revenue and profit for the half-year ended June 30, 2012 would have been US$101,803,000 and US$21,244,000 respectively. These amounts have been calculated using the group's accounting policies and by adjusting the results of the subsidiary to reflect the additional depletion that would have been charged assuming the fair value adjustments to oil and gas properties had been applied from January 1, 2012, together with the consequential tax effects.

(b) Purchase consideration

	June 30, 2012 US$'000	December 31, 2011 US$'000
Outflow of cash to acquire subsidiary, net of cash acquired		
Cash consideration	**78,787**	-
Less: Balances acquired		
Cash	**7,371**	-
Outflow of cash – investing activity	**71,416**	-

Acquisition related costs
Acquisition related costs of $1,470,000 are included in evaluation expenses in the Statement of Comprehensive Income and in operating cash flows in the Statement of Cash Flows.

18. Commitments

Capital expenditure contracted for at the reporting date but not recognised as a liability is as follows:

	Consolidated	
	June 30, 2012 US$'000	December 31, 2011 US$'000
Oil and gas properties		
Payable:		
Within one year	**46,760**	15,007
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
	46,760	15,007
Property, plant and equipment		
Payable:		
Within one year	-	205
Later than one year but not later than five years	**-**	-
Later than five years	**-**	-
	-	205
Rent		
Payable:		
Within one year	**321**	316
Later than one year but not later than five years	**197**	358
Later than five years	**-**	-
	518	674

19. Contingencies

The Consolidated Entity has no material contingent assets or liabilities as at reporting date.

20. Related party transactions

Details of other transactions with related parties during the half year period ended June 30, 2012 are set out below:

	Consolidated	
	June 30, 2012 US$'000	December 31, 2011 US$'000
Payment for services	**-**	125

During the year ended December 31, 2011, an amount of US$125,297 was paid on commercial terms for office accommodation (rental and outgoings), car parking and office equipment to Epicure Administration Pty Ltd, a company of which Mr Stewart, Executive Chairman, is also a director and beneficial shareholder. The outstanding balance payable at December 31, 2011 was nil. During the year ended December 31, 2011, Aurora Oil and Gas Limited was assigned the lease for office accommodation and car parking from Epicure Administration Pty Ltd.

20. Related party transactions (continued)

The following Performance Rights have been granted to executive directors and other key management personnel during the period ended June 30, 2012. The performance rights have been issued under the Company's long term incentive plan. The terms and conditions associated with the plan are detailed in the December 31, 2011 annual report.

Recipient	Grant date	Vesting period	Number	Exercise price	Total fair value US$'000	Expense recognised at June 30, 2012 US$'000	Expiry
Jonathan Stewart	29-May-12	16-Jan-13	21,754	Nil	65	9	16-Jan-13
	29-May-12	01-Jan-14	43,508	Nil	121	7	01-Jan-14
	29-May-12	01-Jan-15	87,017	Nil	243	8	01-Jan-15
Graham Dowland	29-May-12	16-Jan-13	6,870	Nil	21	3	16-Jan-13
	29-May-12	01-Jan-14	13,739	Nil	38	2	01-Jan-14
	29-May-12	01-Jan-15	27,733	Nil	77	3	01-Jan-15
Ian Lusted	29-May-12	16-Jan-13	6,993	Nil	21	3	16-Jan-13
	29-May-12	01-Jan-14	13,867	Nil	39	2	01-Jan-14
	29-May-12	01-Jan-15	27,733	Nil	77	3	01-Jan-15
Total related party transactions			249,214		702	40	

21. Events occurring after balance sheet date

The following events occurred subsequent to the end of the year:

(a) On July 3, 2012, subsequent to acquiring in excess of 90% relevant interest in Eureka Energy Limited on July 2, 2012, the Company announced that it had commenced compulsory acquisition of the remaining Eureka shares under the compulsory acquisition provision of the *Corporations Act 2001 (Cth)* on the same terms as the on market offer dated April 30, 2012.

(b) On July 6, 2012 Aurora Oil and Gas Limited announced that its on market offer to acquire all of the ordinary shares in Eureka Energy Limited has closed. At close of the offer Aurora's relevant interest in Eureka was 98.3%.

(c) On July 31, 2012 a wholly owned subsidiary completed a follow on offering of senior unsecured notes, issuing an aggregate principal amount of US$165 million 9.875% senior unsecured notes due in 2017 at a premium of 101.5% of their face value.

(d) In July 2012 the Company entered into additional cash settled commodity swap hedging agreements to hedge 143,000 barrels of oil for the period August 2012 to December 2013 at an average Louisiana Light Sweet Price of US$96.09 per barrel.

Other than as disclosed above, no event has occurred since June 30, 2012 that would materially affect the operations of the Consolidated Entity, the results of the Consolidated Entity or the state of affairs of the Consolidated Entity not otherwise disclosed in the Consolidated Entity's financial statements.

22. Rounding of amounts

The company satisfies the requirements of Class Order 98/0100 issued by the Australian Investments and Securities Commission relating to "rounding off" of amounts in the directors' report and the financial report to the nearest thousand dollars. Amounts have been rounded off in the directors' report and financial report in accordance with that Class Order.