ABN 90 008 787 988

Second Quarter Interim Report 2012

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Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION AND ANALYSIS

All references in this Report are to United States dollars ("$") unless otherwise indicated.

Management's discussion and analysis ("MD&A") of financial conditions and results of operations is dated August 9, 2012 and should be read in conjunction with Aurora's unaudited consolidated financial statements for the three and six months ended June 30, 2012 and 2011 and the audited consolidated financial statements for the year ended December 31, 2011. The MD&A is intended to assist the reader to understand the Company's operations, financial performance and present and future business environment. Our audited consolidated financial statements and Annual Report for the year ended December 31, 2011 and the Annual Information Form for the year ended December 31, 2011 and other disclosure documents are available through our filings on SEDAR at www.sedar.com or can be obtained from our website at www.auroraoag.com.au.

Basis of presentation

The financial data presented in this Interim Report has been prepared in accordance with Australian Accounting Standards ("AAS") and in compliance with International Financial Reporting Standards ("IFRS").

In management's opinion, the unaudited consolidated financial statements have been prepared on the same basis as the audited consolidated financial statements for the year ended December 31, 2011 and include all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the consolidated financial information for the periods presented. The historical financial and operating information may not be indicative of future performance.

Advisories

Cautionary Statements

Statements in this Report which reflect management's expectations relating to, among other things, production estimates, production revenues, target dates, Aurora's expected drilling program and the ability to fund development are forward-looking statements that contain forward-looking information and financial outlook information as defined under Canadian securities laws, and can generally be identified by words such as "will", "expects", "intends", "believes", "estimates", "anticipates" or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Statements relating to "reserves" are deemed to be forward-looking statements as they involve the implied assessment, based on certain estimates and assumptions that some or all of the reserves described can be profitably produced in the future. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events.

Although management believes the expectations reflected in the forward-looking information and financial outlook information in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements, including the price obtained by Aurora on the sale of its production and the availability and performance of drilling and stimulation equipment and operators. In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such assumptions include, but are not limited to, general economic, market and business conditions and corporate strategy. Accordingly, investors are cautioned not to place undue reliance on such statements. Further, the financial outlook information regarding future production and future production revenue is included to assist readers in assessing the potential impact of current drilling plans on our performance and may not be appropriate to be relied on for any other purpose.

Additional information on the risks and other factors that could affect our operations or financial results are included in reports on file with applicable securities regulatory authorities and may be accessed through the SEDAR website (www.sedar.com).

All of the forward-looking information in this Report is expressly qualified by these cautionary statements. Forward-looking information contained herein is made as of the date of this document and Aurora disclaims any obligation to update any forward-looking information, whether as a result of new information, future events or results or otherwise, except as required by law.

Conversions

For the purpose of calculating unit costs, natural gas is converted to a barrel of oil equivalent ("boe") using six thousand cubic feet of natural gas equal to one barrel of oil ("6:1"), unless otherwise stated. A conversion ratio of "6:1" is based on an energy equivalency conversion method which is primarily applicable at the burner tip and does not represent value equivalence at the wellhead. Readers are cautioned that "boe" figures may be misleading, particularly if used in isolation.

Non-GAAP Financial Measures

Within this Report references are made to certain financial measures that do not have any standardized meanings prescribed by generally accepted accounting principles ("GAAP"). Such measures are neither required by, nor calculated in accordance with, IFRS and, therefore, are considered Non-GAAP financial measures. Although Non-GAAP financial measures are commonly used in the oil and gas industry and the Company, given the lack of standardized meaning such measures may not be comparable with the calculation of similar measures by other companies.

(i) Funds from Operations

"Funds from operations" is commonly used in the oil and gas industry. It represents funds provided by operating activities before changes in non-cash working capital. The Company considers it a key measure as it demonstrates the ability of the business to generate the cash flow necessary to fund future growth through capital investment. Funds from operations should not be considered as an alternative to, or more meaningful than cash provided by operating activities (or any other IFRS financial measure) as an indicator of the Company's performance.

	Three months ended June 30,		**Six months ended June 30**	
	2012	2011	**2012**	2011
(US$ thousands unless otherwise stated)				
Net earnings after tax	**10,330**	12,518	19,035	16,201
Add/(less) non-cash items				
Depreciation & depletion	**7,250**	771	10,008	1,203
Amortisation of borrowing costs	**468**	-	746	-
Amortisation of discount on financial instrument	**144**	-	226	-
Share based expense	**1,078**	855	2,305	1,240
Income tax expense /(benefit)	**9,957**	(4,473)	15,030	(4,473)
Net foreign exchange loss / (gain)	**(2,973)**	(239)	(3,029)	(1,170)
Employee benefit provision	**38**	78	223	78
Funds from operations	**26,292**	9,510	44,544	13,079
Funds per share – basic (US cents per share)	**6.21**	2.32	10.67	3.22
Funds per share – diluted (US cents per share)	**6.10**	2.28	10.48	3.17

(ii) Operating netback
Management uses certain industry benchmarks such as operating netback to analyse financial and operating performance. Operating netback, as presented, represents revenue from production less royalties, state taxes, transportation and operating expenses calculated on a boe basis. Management considers operating netback an important measure to evaluate its operational performance as it demonstrates its field level profitability relative to current commodity prices.

(iii) EBITDAX
EBITDAX is a financial measure commonly used in the oil and gas industry. Management believes that EBITDAX may provide additional information about the Company's ability to meet future requirements for debt service, capital expenditures and working capital. EBITDAX, as presented, represents net income (loss) for the period before income tax expense or benefit, gains and losses attributable to the disposal of projects, finance costs, depreciation, depletion and amortisation expense, other non-cash charges, expenses or income, one-off or non-recurring fees, expenses and charges and exploration and evaluation expenses. EBITDAX should not be considered as an alternative to, or more meaningful than net income (or any other IFRS financial measure) as an indicator of the Company's performance. Because EBITDAX excludes some, but not all, items that affect net income, the EBITDAX presented by the Company may not be comparable to similarly titled measures of other companies.

Defined Reserves and Resource Terms

- "bbl" means barrel.
- "boe" means barrels of oil equivalent, determined using a ratio of 6 Mscf of raw natural gas to 1 bbl of condensate or crude oil, unless otherwise stated.
- "scf" means standard cubic feet.
- "btu" means British thermal units.
- "m" or "M" prefix means thousand.
- "mm" prefix means million.
- "NGLs" means natural gas liquids
- "b" or "B" prefix means billion.
- "/d" suffix means per day.

With effect from January 1, 2011 the directors of Aurora elected to change the functional currency from Australian dollars to US dollars. All references in this Report are to United States dollars ("$") unless otherwise indicated.

aurora OIL&GASLIMITED
ABN 90 008 787 988

2012 Second Quarter Management's Discussion and Analysis

Aurora Oil & Gas Limited (Aurora) is pleased to announce its financial and operating results for the three months ended June 30, 2012.

Overview

Aurora is an Australian and Toronto listed oil and gas company active exclusively in the over pressured liquids rich region of the Eagle Ford Shale in Texas, United States. The Company is engaged in the development and production of oil, condensate and natural gas in Karnes, Live Oak and Atascosa counties in South Texas. Aurora participates in approximately 77,000 highly contiguous gross acres in the heart of the trend, and holds over 17,700 net acres within the liquids rich zones of the Eagle Ford. Aurora is funded through its debt facilities and expects to participate in approximately 48 gross (12.2 net) new development wells during the quarter ending September 30, 2012.

2nd Quarter Highlights

Corporate

- Purchase of an additional 6% working interest in our Sugarloaf AMI. Production and earnings associated with this acquisition will be reported effective July 1, 2012.

- Launch of an on market cash offer to acquire 100% of the issued ordinary shares of Eureka Energy Limited (ASX:EKA) ("Eureka"). At June 30, 2012, a total of 75% of the issued capital of Eureka had been acquired. Subsequent to the quarter end, our ownership increased to 98.3%. Compulsory acquisition procedures under Australian corporate legislation have commenced to acquire the remaining 1.7%, and are expected to be completed in the third quarter. Once completed, the acquisition increases Aurora's working interest in the Sugarloaf AMI by a further 6.25%, for a total of 28.05%. Production and earnings associated with this interest and assets will be reported effective 1 July, 2012.

- The raising in May and June 2012 of approximately US$115m, after costs of issue, from the issue of 34.9 million shares under a global marketed offering. Certain directors of Aurora participated in the offering for an aggregate raising of approximately $4 million.

- The raising of US$163 million, after costs of issue, from a follow-on issue of an additional aggregate principal amount of US$165 million senior unsecured notes.

- Aurora was added to the S&P / ASX 100 Index, on June 15, 2012.

Financial

- Revenue from oil and gas sales of US$58 million for the second quarter 2012 (US$42 million after royalties) representing a 45% increase from the first quarter 2012 gross revenue.

- Funds from operations of US$26 million, an increase of 44% from the first quarter 2012.

- Earnings after tax of US$10 million and increase of 19% from the first quarter 2012.

- Quarter end working capital liquidity of US$16 million prior to the inclusion of the proceeds from the additional senior unsecured notes offering of US$163 million after costs of issue. Liquidity is further enhanced by the US$85 million available under the revolving credit facility.

Operational

- At the end of the reporting period there were 128 gross wells on production, including 4 farmout wells, 148 gross wells having been drilled and 13 new wells underway, compared to 36 wells on production, including 9 farmout wells, as at June 30, 2011.

- Total gross production for the quarter of 835 mmscf of rich gas 527,030 bbls of light/medium oil and 42,440 bbls of condensate.

- Average production rates for the quarter were 8,364 boe/d gross, including NGL's, and 6,148 boe/d net, after royalties and including NGL's. This represents an increase of approximately 75% over the first quarter.

- Construction commenced on all three remaining central facilities in Sugarloaf, which are expected to be completed by the end of the third quarter 2012.

- Commencement of operation of the Harvest 3 Rivers Oil Pipeline. Aurora now sells the majority of its crude and condensate into that pipeline on a contract with prices currently equivalent to approximately WTI plus $6.

	Three months ended June 30,		**Six months ended June 30,**	
	2012	**2011**	2012	2011
Operational & Financial Summary				
(boe conversion – 6:1 basis)				
Production				
Natural gas (mcf/d)	**7,002**	3,611	5,957	2,908
Light/medium oil (bbls/d)	**5,792**	677	4,422	340
Condensate (bbls/d)	**466**	859	438	773
Natural gas liquids (bbls/d)	**939**	361	740	182
Total oil equivalent (boe/d)	**8,364**	2,499	6,593	1,780
Average product prices achieved during quarter				
Natural gas (US$/mcf)	**1.97**	4.67	2.24	4.63
Light/medium oil (US$/bbl)	**96.49**	96.52	100.29	96.52
Condensate (US$/bbl)	**94.83**	101.55	98.52	98.54
Natural Gas Liquids (US$/bbl)	**27.71**	54.50	34.50	55.81
Netbacks				
Production revenue – (US$/boe)	**75.34**	76.57	80.73	74.92
Royalties (US$/boe)	**(20.24)**	(20.98)	(21.50)	(20.34)
Production taxes (US$/boe)	**(2.51)**	(3.68)	(2.74)	(2.74)
Operating expenses (US$/boe)	**(6.57)**	(1.91)	(7.14)	(2.58)
Operating netback (US$/boe)	**46.03**	50.00	49.35	49.26
Depreciation and depletion	**(9.53)**	(3.39)	(8.34)	(3.73)
General & administrative expenses (US$/boe)	**(4.46)**	(9.15)	(5.16)	(11.07)
Finance costs (US$/boe)	**(7.25)**	-	(7.29)	-
Earnings before tax (US$/boe)	**26.65**	35.38	28.39	36.40

- A detailed review of operations for the quarter ended June 30, 2012 can be found in the Quarterly Update that was lodged on SEDAR on July 24, 2012. A copy of the Quarterly Update can be found on the Company's website at www.auroraoag.com.au and at www.sedar.com

2012 Second Quarter Management's Discussion and Analysis

Financial highlights

The Company continued to experience improved financial performance over the quarter ended June 30, 2012 due to increased production from new wells drilled and brought on to production within the Company's Eagle Ford Shale interests within the Sugarkane Field.

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
Financial highlights (US$ thousands unless otherwise stated)				
Production revenue – Gross	**57,341**	17,416	96,864	24,137
Production revenue - Net	**41,938**	12,644	71,069	17,584
Net after tax earnings	**10,330**	12,518	19,035	16,201
Per share – basic (US cents per share)	**2.44**	3.05	4.56	3.99
Per share – diluted (US cents per share)	**2.40**	3.00	4.48	3.92
US$/boe	**13.57**	55.04	15.86	50.29
Funds from operations	**26,292**	9,510	44,544	13,079
Funds per share – basic (US cents per share)	**6.21**	2.32	10.67	3.22
Funds per share – diluted (US cents per share)	**6.10**	2.28	10.48	3.17
EBITDAX	**31,639**	9,292	53,017	12,542
Net capital expenditures	**319,306**	26,005	409,448	37,459

	As at	
	June 30, 2012	December 31, 2011
(US$ thousands unless otherwise stated)		
Total assets	**856,401**	380,826
Shareholders' equity	**452,943**	275,092
Weighted average common shares outstanding (thousands):		
Basic	**417,390**	408,519
Diluted	**425,152**	415,018

Trading Statistics	Australian Securities Exchange		Toronto Stock Exchange	
	Three months ended June 30,		**Three months ended June 30,**	
based on intra-day trading	**2012**	2011	**2012**	2011
High	**A$4.26**	A$3.71	**C$4.44**	C$4.00
Low	**A$2.84**	A$2.53	**C$2.91**	C$2.64
Close	**A$3.11**	A$3.50	**C$3.24**	C$3.63
Average daily volume	**1,825,284**	2,091,000	**581,379**	460,026

2012 Second Quarter Management's Discussion and Analysis

Aurora Production (Gross)

	Three months ended June 30,			Six months ended June 30		
	2012	2011	% Change	**2012**	2011	% Change
Natural gas (mscf/d)	**7,002**	3,611	94%	5,957	2,908	105%
Light Oil (bbls/d)	**5,792**	677	756%	4,422	340	1,201%
Condensate (bbls/d)	**466**	859	(46%)	438	773	(43%)
Natural Gas Liquids (bbls/d)	**939**	361	160%	740	182	307%
Total oil equivalent (boe/d)	**8,364**	2,499	235%	6,593	1,780	270%

At January 1, 2011 there were 15 wells on production of which 9 were farmin wells subject to a priority cost recovery by the farminor. During the six month period to June 30, 2011 a total of 21 additional wells were placed on production, 3 in the first quarter and a further 18 in the second quarter such that at June 30, 2011 Aurora was participating in production from 27 post farmout wells with an average production of 1,780 boe/d over the six month period. With the weighting of new production wells in Q2, production during the 3 months ended June 2011 was higher at 2,499 boe/d. The farmin wells continued to payback over the six months to June 30, 2011 and as a result the production from these wells was not attributable to Aurora.

At January 1, 2012 there were 65 post farmout wells on production including 3 farmin wells that reached payout during the last quarter of 2011. During the 6 month period to June 30, 2012 a total of 57 new wells were brought on production and 2 further farmin wells reached payout. The producing well count was again weighted to the second quarter with 18 wells being added in the first three months and 38 new wells added in the final 3 months. At June 30, 2012 there were 124 post farmout producing wells that achieved an average production rate over the 6 month period of 6,593 boe/d. Production rates in the second quarter of 2012 were 8,364 boe/d an increase of 75% over the first quarter.

Production rates were flat during January and February and there was a 21% increase (month on month) in produced volumes in March as a third fracture stimulation crew was added. During the second quarter there were between ten and thirteen rigs drilling on the Aurora acreage and between two and four fracture stimulation crews operational with a commensurate increase in production volumes. As part of the development plan, there has been a scheduled increase in drilled well inventory to ensure full utilization of the stimulation crews in the field.

Production volumes also increases during the second quarter as existing wells that had been shut in to install production tubing to improve the lift efficiency and productivity of wells came back onto production.

At June 30, 2012 1 well was on test and 19 wells had commenced or were awaiting stimulation.

Revenue

	Three months ended June 30,			Six months ended June 30		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Natural gas						
Production revenue in period	**1,154**	1,329	(13%)	2,289	2,247	2%
Light/medium oil						
Production revenue in period	**49,874**	6,339	687%	81,115	6,172	1,214%
Condensate						
Production revenue in period	**4,317**	8,042	(46%)	8,953	14,012	(36%)
Natural gas liquids						
Production revenue in period	**1,960**	1,706	15%	4,674	1,706	174%
Realised commodity hedging loss	**36**	-	n/a	(167)	-	n/a
Total production revenue for period	**57,341**	17,416	229%	96,864	24,137	301%
Interest	**152**	154	(1%)	193	473	(59%)
Other	-	-	-	-	240	(100%)
Total revenue	**57,493**	17,570	227%	97,057	24,850	291%

Revenue Derived Commodity Price						
Natural gas (US$/mcf)	**1.81**	4.04	(55%)	2.11	4.27	(51%)
Light/medium oil (US$/bbl)	**94.70**	102.87	(8%)	100.58	100.15	1%
Condensate (US$/bbl)	**101.72**	102.87	(1%)	112.38	100.15	12%
Natural gas liquids (US$/bbl)	**22.93**	51.91	(56%)	34.70	51.91	(33%)
Production revenue (US$/boe)	**75.34**	76.58	(2%)	80.73	74.92	8%

The revenue derived commodity prices shown in the table above have been calculated on the basis of the revenue derived during quarter for each product stream and the allocation of gross production estimates for the quarter. This differs from the achieved commodity prices shown in the table on page 5 as these were the average prices achieved during the period.

Production revenue for the quarter to June 30, 2011 represents revenue from 36 wells that were on production at the beginning of the quarter or commenced production during the quarter. Of these producing wells, 9 were farmin wells which remained subject to a priority cost recovery by the farminor. The second quarter of 2011 saw the commencement of the stripping of NGL's from the wet gas stream. As a result revenue from the second quarter of 2011 includes $1.7m from NGLs in addition to revenue from the sale of condensate and wet gas. The location of the post farmout development wells drilled in 2010 and 2011 were predominantly in the deeper gas condensate window. All 9 post farmout on production at the end of the first quarter were gas condensate wells, of the 18 further wells brought on line in the second quarter 14 were volatile oil wells.

Revenue for the second quarter of 2012 represents the sale of natural gas, light/medium oil and condensate and NGL's from 86 wells that were on production at the beginning of the quarter or from the 38 wells that commenced production during the quarter. The stripping of NGL's resulted in additional revenue of $3.0 million in the six months ended June 30, 2012 compared to the corresponding period of 2011.

Aurora derived 95% of its revenue for the second quarter of 2012 from liquids compared to 83% in the corresponding quarter. This also represents a 5% increase from the first quarter of 2012. Production volumes in the first half of 2012 are 270% higher than the six months to June 30, 2011 however the average revenue derived price of all commodities are lower than the corresponding periods in 2011.

Royalties

	Three months ended June 30,			Six months ended June 30		
	2012	2011	%Change	**2012**	2011	%Change
(US$ thousands unless otherwise stated)						
Royalties	**15,403**	4,772	223%	25,795	6,553	294%
US$/boe	**20.24**	20.98	(4%)	21.50	20.34	6%
% of revenue	**26.9%**	27.4%	(2%)	26.6%	27.1%	(2%)

Aurora pays royalties to the owners of the mineral rights on the land in which the Company owns a lease interest. 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.

Royalties as a percentage of revenue remains constant over the three and six month periods ended June 30, 2011 and June 30, 2012

The royalty rate for each quarter represents the blended rate of royalties attributable across Aurora's four AMI's in the Sugarkane field based on the production profile for the period and the terms of the leases from which the hydrocarbons were produced.

Royalties payable vary slightly based on individual lease agreements and accordingly average payments may vary slightly from quarter to quarter based on where drilling has occurred and production is being sourced from.

As all four of Aurora's AMI's are now on production, it is anticipated that the royalty rate will remain around this level going forward.

Sales taxes and operating expenses

	Three months ended June 30,			Six months ended June 30		
	2012	2011	% Change	**2012**	2011	%Change
(US$ thousands unless otherwise stated)						
Sales taxes	**1,907**	838	128%	3,289	884	272%
US$/boe	**2.51**	3.68	(32%)	2.74	2.74	-
Operating expenses	**4,999**	434	1,052%	8,568	833	929%
US$/boe	**6.57**	1.91	244%	7.14	2.58	177%

Sales taxes include local tax expenses and severance tax payable in the State of Texas, USA. The operator is presently applying for certain tax exemptions which if granted would lead to a reduction in local taxes related to gas production.

The decrease in sales tax on a boe basis is due to the increasing contribution to revenue from liquids which incur a lower sales tax rate than gas in the three and six months to June 30, 2012 compared to the corresponding periods in 2011. Liquids represent 93% of revenue for the six months ended June 30, 2012 compared to 84% of revenue for the first half of 2011. During the fourth quarter of 2011 the Operator applied for the tight gas rebate for the Company's AMI's. The benefit from this rebate commenced in the second quarter of 2012 with the application of the lower sales tax rate and retrospective rebates for previous periods.

Operating expenses include field operating costs and transportation. Operating expenses for the quarter ended June 30, 2012 on a $/boe basis, are 244% higher than for the corresponding quarter due to the significant increase in drilling and general field activity in the intervening period. There were 88 more wells on production by the end of the second quarter of 2012 than there were at the end of the second quarter of 2011. The operating costs have now reached a more normalised rate than those attributable to limited production in 2011.

Operating expenses in the second quarter of 2012 on a $/boe basis were 19% lower than the first quarter of 2012.
As previously disclosed the first quarter 2012 also included operating expenditures that related to prior periods, mostly the fourth quarter of 2011. If these prior period operating expenses were removed from the first quarter 2012 expenditure, the resultant operating expense is $6.99/boe. The second quarter 2012 operating expenses of $6.57 / boe is 6% lower than the revised first quarter 2012 operating costs of $6.99 / boe due to a decrease in transportation costs as the Harvest 3 Rivers Oil Pipeline became operational and Aurora commenced selling the majority of its crude and condensate into that line. Additionally the central facilities generate further operating cost savings.

Financial instruments

	Three months ended June 30,			Six months ended June 30		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Realised commodity hedging gain /(loss)	**36**	-	n/a	(167)	-	n/a
US$/boe	**0.05**	-	n/a	(0.14)	-	n/a

Aurora hedged a small proportion of expected crude oil production, from January 1, 2012 through to 2014. The amount of oil hedged represents a low percentage of expected production through that period.

Aurora entered into cash settled commodity swap hedging agreements with two financial institutions during November 2011. 345,000 barrels of oil were hedged in November 2011 for the period 2012-2014 at an average price of $92.93 per barrel. Both agreements have effective commencement dates of January 1, 2012 and termination dates of December 31, 2014.

As at June 30, 2012, the Company held derivative commodity contracts as follows:

Subject of contract	Notional quantity	Term	Reference	Strike price US$	Option traded	Fair value (US$'000s)
Oil	52,500	Jul 1 2012 – Dec 31, 2012	Nymex	95.70	Swap	**(495)**
Oil	52,500	Jul 1 2012 – Dec 31, 2012	Nymex	93.26	Swap	**(431)**
Oil	51,000	Jan 1, 2013 – Dec 31, 2013	Nymex	92.90	Swap	**(228)**
Oil	51,000	Jan 1, 2013 – Dec 31, 2013	Nymex	91.40	Swap	**(152)**
Oil	39,000	Jan 1, 2014 – Dec 31, 2014	Nymex	91.00	Swap	**(127)**
Oil	39,000	Jan 1, 2014 – Dec 31, 2014	Nymex	90.31	Swap	**(101)**
						(1,534)

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.

Aurora expects to utilise financial derivative instruments in order to manage commodity price uncertainty and we intend to continue to utilise such instruments in the future, including increasing the percentage of our production covered.

Operating Netback

	Three Months Ended									
	June 30, 2012					June 30, 2011				
	Natural Gas (US$/mscf)	**L/M Oil (US$/bbl)**	**Conden-sate (US$/bbl)**	**NGL (US$/bbl)**	**Total (US$/boe)**	Natural Gas (US$/mscf)	L/M Oil (US$/bbl)	Conden-sate (US$/bbl)	NGL (US$/bbl)	Total (US$/boe)
Revenue	**1.81**	**94.70**	**101.72**	**22.93**	**75.34**	4.04	102.87	102.87	51.91	76.57
Royalties	**(0.50)**	**(25.60)**	**(24.86)**	**(6.33)**	**(20.24)**	(1.10)	(28.32)	(28.32)	(13.72)	(20.98)
Production taxes	**0.01**	**(3.24)**	**(3.53)**	**(0.69)**	**(2.51)**	(0.21)	(3.43)	(3.43)	(2.86)	(3.68)
Operating costs	**(0.16)**	**(8.26)**	**(8.87)**	**(2.00)**	**(6.57)**	(0.44)	(2.98)	(2.98)	(1.88)	(1.91)
Operating netback	**1.16**	**57.60**	**64.46**	**13.91**	**46.02**	2.29	68.14	68.14	33.45	50.00

	Six Months Ended									
	June 30, 2012					June 30, 2011				
	Natural Gas (US$/mscf)	**L/M Oil (US$/bbl)**	**Conden-sate (US$/bbl)**	**NGL (US$/bbl)**	**Total (US$/boe)**	Natural Gas (US$/mscf)	L/M Oil (US$/bbl)	Conden-sate (US$/bbl)	NGL (US$/bbl)	Total (US$/boe)
Revenue	**2.11**	**100.58**	**112.38**	**34.70**	80.73	4.27	100.15	100.15	51.91	74.92
Royalties	**(0.53)**	**(27.01)**	**(28.54)**	**(8.96)**	(21.50)	(1.14)	(27.30)	(27.30)	(13.72)	(20.34)
Production taxes	**(0.04)**	**(3.40)**	**(3.85)**	**(1.49)**	(2.74)	(0.22)	(3.34)	(3.34)	(2.86)	(2.74)
Operating costs	**(0.19)**	**(8.89)**	**(9.95)**	**(3.08)**	(7.14)	(0.14)	(3.44)	(3.44)	(1.89)	(2.58)
Operating netback	**1.35**	**61.28**	**70.04**	**21.17**	49.35	2.77	66.07	66.07	33.44	49.26

The netback achieved in the second quarter 2012 was 8% lower than the corresponding quarter in 2011. The decrease in the netback is mainly as a result of a decrease in the realised commodity prices for the quarter to June 30, 2012 compared to that of the quarter to June 30, 2011 which contributed to the fall in operating netback for all products.

nA decrease in the operating netback also arose due to an increase in operating expenses on a per boe basis in the quarter to June 30, 2012 compared to the corresponding quarter of 2011 due to a significant increase in field activity resulting in 124 wells on production by the end of the second quarter of 2012 compared to 27 wells on production by the end of the second quarter of 2011.

The first half of 2012 saw a significant increase in the production of oil and condensate compared to the first half of 2011 which resulted in operating costs associated with the transportation of oil prior to the commissioning of the Harvest 3 Rivers Oil Pipeline in the second quarter of 2012.
The increase in the operating expenses in the first half of 2012 were partially offset by the benefit of the tight gas rebate which commenced in the second quarter of 2012 and which included a rebate in relation to prior period production.

Depreciation and depletion

	Three months ended June 30,			Six months ended June 30		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Depreciation and Depletion	**7,250**	771	840%	10,008	1,203	732%
US$ / boe	**9.53**	3.39	181%	8.34	3.73	124%

Depletion is calculated using the *Units of Production* method. This method involves comparing the actual volume of production to the estimated reserves to calculate a depletion rate which can be applied to the carrying value of the producing assets. The reserves used in the calculation are proved plus probable reserves (2P) which are reviewed at least annually by an independent qualified reserves assessor as defined in National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities*.

Depreciation of property plant and equipment is calculated on a declining balance method so as to write down the net cost of each asset over its estimated useful life to its estimated residual value. During the three and six months ended June 30, 2011 and 2012, Aurora acquired surface equipment and contributed to the cost of facilities with estimated useful lives of 5 to 25 years.

In the quarter ended June 30, 2011 depletion was based on production generated from 27 post farmout wells. The accelerated drilling program adopted by Hilcorp and subsequently Marathon has resulted in increase in the number of wells being drilled in the latter half of 2011 and first half of 2012 and hence an increase in the cost base to be depleted. In the quarter ended June 30, 2012 depletion has been calculated based on the production from 124 post farmout wells. As a result, the depletion $/boe has increased in the second quarter of 2012 compared to the comparative quarter.

Evaluation costs written off

	Three months ended June 30,			Six months ended June 30		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Evaluation costs	**2,564**	14	n/a	3,043	14	n/a
US$ / boe	**3.37**	0.06	n/a	2.00	0.04	n/a

During the six months ended June 30, 2012 Aurora undertook evaluation work in relation to its subsequent on market bid for Australian Securities Exchange (ASX) listed Eureka Energy Limited ("Eureka"). Evaluation costs for the second quarter include the ancillary costs incurred in relation to the on market bid for the issued share capital of Eureka and evaluation expenditure that could not be directly attributable to the acquisitionof a qualifying asset providing probable future economic benefits to the entity. Under IFRS 3 the costs incurred in relation to a business combination must be expensed. Subsequent to quarter end ownership of Eureka has increased to 98.3% and compulsory acquisition has commenced for the remainder of the issued shares of Eureka. This acquisition will increase Aurora's working interest in the Sugarloaf AMI by an additional 6.25%. Aurora will report production and earnings associated with these interests and assets effective 1 July, 2012. Evaluation costs written off also include costs associated with the assessment of other opportunities within the Sugarkane field.

General and administrative expenses

	Three months ended June 30,			Six months ended June 30		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
General and administrative expenses	**3,394**	2,080	63%	6,196	3,565	74%
US$ / boe	**4.46**	9.15	(51%)	5.16	11.07	(53%)

The general and administrative expense per boe is lower for the second quarter of 2012 compared to the second quarter of 2011 due to a 235% increase in production on a boe basis for the quarter ended June 30, 2012 compared to the corresponding quarter.

The effects on the $/boe of the increase in production in the second half of 2012 are offset by the costs of increased staffing levels in the Perth and Houston office with a total of 28 full time and 2 part time employees at June 30, 2012 compared to 8 full time, 2 part time employees and 8 part time contractors at the end of the corresponding period. The legal, travel and costs of issue incurred in the first half of 2012 particularly in relation to the successful completion of the senior unsecured notes offering also resulted in an increase in general and administrative costs overall in the six months ended June 30, 2012.

Finance costs

	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Interest expense	**4,910**	-	n/a	7,783	-	n/a
US$ / boe	**6.45**	-	n/a	6.49	-	n/a
Amortisation of borrowing costs and debt issue discount	**612**	-	n/a	972	-	n/a
US$ / boe	**0.8**	-	n/a	0.8	-	n/a

The interest expense for the quarter ended June 30, 2012 represents accrued interest payable at 9.875% on the senior unsecured notes for the period April 1, 2012 to June 30, 2012.

The interest expense for the six months to June 30, 2012 represents interest paid in the first quarter on the senior secured revolving credit facility entered into on November 7, 2011 of $0.1 million and accrued interest payable at 9.875% on the senior unsecured notes for the period February 8, 2012 to June 30, 2012 of $7.6 million.

Share-based payment expense

	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Share-based payment expense	**1,078**	855	26%	2,305	1,240	86%
US$ / boe	**1.42**	3.76	(62%)	1.92	3.85	(50%)

The Company has issued long term incentives including performance rights and options to certain to key management personnel. The long term incentives were issued to reflect both the continued commitment to the growth and success of the Company of existing Directors and senior executives and also to attract high calibre individuals to key positions during 2010 and 2011.

In addition, a Long Term Incentive Plan ("Plan") was adopted by the Company in the first quarter of 2012 and 348,576 performance rights were issued to eligible employees. The Plan was approved by Shareholders at the May 2012 Annual General Meeting.

IFRS requires the cost of the awards to be expensed in the financial statements over the vesting periods of the award.

For the three month period ended June 30, 2012 a performance right expense of $US58,805 (June 30, 2011: US$31,229) and an option expense of US$1,019,443 (June 30, 2011: US$823,558) were recognised.

For the six month 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).

The reducing share based payment $/boe over the three and six month periods ended June 30 2012 and 2011 reflects the increasing production levels over these periods.

Other income

	Three months ended June 30,			Six months ended June 30		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Foreign exchange gain	**4,140**	239	1,632%	4,196	1,170	259%
US$/boe	**5.44**	1.05	418%	3.50	3.63	(9%)
Net gain on available for sale of financial assets	**770**	-	n/a	770	-	n/a
US$/boe	**1.01**	-	n/a	0.64	-	n/a

Effective from January 1, 2011, the functional currency of the Company changed from Australian dollars to United States dollars.
The unrealised foreign exchange gain of U$0.2 million in the quarter to June 30, 2011 (U$1.2 million – six months to June 30, 2011) arises from the retranslation of Australian dollar denominated cash balances in the Statement of Financial Position to United States dollars at the June 30, 2011 spot rate. The Australian dollar appreciated over this period resulting in an unrealised gain upon retranslation.

In the corresponding periods to June 30, 2012 the strengthening Australian dollar also resulted in an unrealised gain upon retranslation of U$2,973,000 for the three months ended June 30, 2012 and U$3,029,000 for the six months ended June 30, 2012. In the quarter ended June 30, 2012 the Company also realised a gain of U$1,167,000 on a forward contract for the sale of Canadian dollars raised in a private placement to US dollars. 18 million shares at C$3.55 per share were issued on 31 May 2012 to raise C$63.9 million before costs of issue.

Future Income Taxes

	Three months ended June 30,			Six months ended June 30		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Income tax expense/(benefit)	**9,957**	(4,473)	n/a	15,030	(4,473)	n/a
US$ / boe	**13.08**	(19.67)	n/a	12.53	(13.88)	n/a

The income tax expense for the period represents deferred income tax which is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability settled.

In accordance with International Financial Reporting Standard 112, prior to January 1, 2011 the Company did not recognise the deferred tax asset arising from deductible temporary differences and unused tax losses nor the deferred tax liability arising from the temporary differences between the carrying amount and tax base of the oil and gas properties as, at that time, it was not probable that future taxable amounts would be available to offset the resultant deferred tax asset.

In June 2011 due to the success of the drilling program, management determined that it was probable that future taxable profits would be generated. A deferred tax asset was recognised in the interim financial statements for the six months to June 30, 2011 in respect of unused tax losses that had previously accumulated and which would be available to offset future taxable profits.

During the latter half of 2011 and the first half of 2012 the Company continued to incur significant intangible drilling costs whilst the level of profits generated from production has also increased As a result the prima facie taxable profits were offset by the allowable deduction for intangible drilling costs (for accounting purposes these are capitalised) in the same period. As a result the deferred tax asset has diminished whilst the IDC deductions allowable for tax purposes have increased the deferred tax liability.

Continued profitability and expenditure on IDC in the second quarter of 2012 has resulted in an increase in the deferred tax liability recognised in the Statement of Financial Position as at June 30, 2012 and a resulting income tax expense in the Statement of

Comprehensive Income for the quarter. The income tax expense is a result of the accounting treatment for deferred income tax. No actual income tax is expected to be payable in the USA or Australia for the year ended 2012.

The income tax expense for the three and six months to June 30, 2012 includes an expense of approximately $3 million that relates to a change in the estimated provision as at December 31, 2011 which was identified during the preparation of the 2011 US tax returns during the second quarter of 2012.

Net earnings

	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Net earnings before taxation	**20,287**	8,045	152%	34,065	11,728	190%
Taxation (expense) / benefit	**(9,957)**	4,473	n/a	(15,030)	4,473	n/a
Net earnings after taxation	**10,330**	12,518	(17%)	19,035	16,201	17%
US$ / boe	**13.57**	55.04	(75%)	15.86	50.29	(68%)

Net earnings before tax for the three and six months ended June 30, 2012 were 152% and 190% higher respectively, than the net earnings before tax for the corresponding periods.

Production in the first quarter of 2012 exceeds that of the comparable quarter in 2011 as a result of the implementation of an accelerated drilling program by the Operator that commenced in the second half of 2011. Revenue in the second quarter of 2012 was derived from 124 producing wells compared to 27 producing wells in the corresponding quarter. Increased revenues for the quarter to June 30, 2012 were partially offset by an increased depletion charge as calculated in accordance with the Units of Production method and higher general and administrative costs incurred to support the rapid growth of the Company particularly employee compensation costs as the Company engages more staff in both Houston and Perth and an increase in the costs of borrowing as the Company ensures that it is sufficiently funded for the accelerated drilling program for 2012 and 2013.

The net earnings after tax for the three months ended June 30, 2012 were 17% lower than the corresponding quarter in 2011. This is due to:

- The recognition of a net deferred tax asset in the second quarter of 2011. As set out above under the Future Income Taxes section, the deferred tax asset reversed in the second half of 2011.
- The taxation expense for the quarter to June 30, 2012 includes an expense of approximately U$3 million that relates to a change in the estimated provision as at December 31, 2011 which was identified during the preparation of the 2011 US tax returns during the second quarter of 2012.Excluding the prior period charge of US$3 million, net earnings after tax would be 6% higher than those of the corresponding quarter (36% higher for the six month period). No corresponding adjustment is required for corresponding periods to June 30, 2011 as the change in estimate relates to the fourth quarter of 2011.

Capital expenditures

	Three months ended June 30,			Six months ended June 30		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Capital expenditure	**319,306**	26,005	1,128%	409,448	37,459	993%
US$ / boe	**419.51**	114.35	255%	341.25	116.29	193%

Capital expenditures were spent as follows:

	Three months ended June 30,		Six months ended June 30,	
	2012	2011	**2012**	2011
(US$ thousands unless otherwise stated)				
Exploration				
Land and retention costs	**-**	26	-	26
Drilling and completion	**-**	-	-	-
Subtotal	**-**	26	-	26
Development				
Land and retention costs	**750**	-	**750**	-
Drilling and completion	**-**	-	**-**	-
Subtotal	**750**	-	**750**	-
Producing assets				
Land and retention	**13,500**	72	13,812	72
Drilling and completion	**281,494**	21,191	359,066	31,068
Facilities and equipment	**23,139**	2,553	35,327	3,344
Subtotal	**318,133**	23,816	408,205	34,484
Office equipment				
Subtotal	**423**	2,163	493	2,949
Net capital expenditures	319,306	26,005	409,448	37,459

During the quarter ended June 30, 2012 $260,321,000 of capital expenditures related to the acquisition of an additional 12.25% working interest in the Sugarloaf AMI. The remaining capital expenditure of $58,985,000 in the second quarter of 2012 was directed at the drilling and completion of 35 new wells and the cost of installing facilities and the acquisition of equipment for each AMI during the quarter to June 30, 2012

In addition to the acquisition of the additional Sugarloaf AMI working interest, the increase in capital expenditures of 1,128% over the comparable quarter is as a result of the accelerated drilling program implemented by the Operator in the latter half of 2011 and the decision to install central gathering facilities for the field.

Net funds from operations

	Three months ended June 30,			Six months ended June 30,		
	2012	2011	% Change	**2012**	2011	% Change
(US$ thousands unless otherwise stated)						
Net funds	**26,292**	9,510	176%	44,544	13,079	240%
US$ / boe	**34.54**	41.82	(17%)	37.12	40.59	(8%)

Funds from operations continued to grow during the first quarter of 2012.

For the quarter ended June 30, 2012, Aurora's funds received from operations were $26,292,000 (6.21 cents/share, basic), an increase from $9,510,000 (2.32 cents/share, basic) for the three months ended June 30, 2011. 38 wells commenced production during the second quarter of 2012 with a total of124 wells on production by the end of the quarter. This compares to 18 wells that commenced production during the corresponding quarter with a total of 27 post farmout wells on production at June 30, 2011.

Aurora's bias towards liquids production has also helped increase funds from operations during the first two quarters of 2012 as a result of the higher prices for light/medium oil and condensate.

Liquidity and capital resources

	2012 (1)	2011 (1)
Ordinary shares outstanding	**446,595,778**	411,655,343
Share price (1)	**A$3.11**	A$3.39
Total market capitalisation	**A$1,388,912,870**	A$1,395,511,613
Options to acquire ordinary shares(2)	**5,500,000**	5,500,000
Rights to acquire ordinary shares(2)	**2,538,574**	2,190,000

(1) Represents the closing price on the ASX on June 30, 2012 and December 31, 2011, respectively.
(2) Each option / right is convertible into one ordinary share

As at August 9, 2012, there were 446,595,778 ordinary shares issued and outstanding.

Capital Funding

On February 8, 2012 Aurora USA, a wholly owned subsidiary of Aurora, completed a private offering of senior unsecured notes ("First Senior Note Offering"). Under the First Senior Note Offering, Aurora USA issued an aggregate principal amount of $200 million 9.875% senior unsecured notes due February 2017 ("Senior Notes") 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 obligations of Aurora USA are guaranteed by each of its subsidiaries and by Aurora. 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. On July 31, 2012 an additional aggregate principal amount of $165 million of Senior Notes were issued pursuant to the same indenture as a follow-on offering ("Follow-on Note Offering"), at an issue price of 101.5% of their face value, resulting in net proceeds of approximately $163 million after deduction of commissions and other expenses of the Follow-on Note Offering.

On November 8 2011, Aurora USA Oil & Gas Inc. ("Aurora USA"), a wholly owned subsidiary of the Company, as borrower, and Aurora and each of its other subsidiaries, as guarantors, entered into a $300 million credit agreement with a syndicate of banks, pursuant to which a borrowing base is available on a revolving basis at a margin of between 2 and 4 per cent over the floating LIBOR rate. The revolving facility ("Facility") contains negative and affirmative covenants and matures on November 7, 2016. Hedging of crude oil production, based the then on current proved developed producing Reserves was required through to 2014, the executed hedging contracts represent a low percentage of expected production through that period. Aurora USA's obligations under the Facility are guaranteed by Aurora and each of Aurora USA's subsidiaries, and are secured by substantially all of the assets of Aurora USA and each such guarantor.

The availability and quantum of the Facility is determined relative to a borrowing base calculated by reference to Aurora's proved and producing reserves. The Facility is designed for the borrowing base to increase with Aurora's increased reserves and oil and gas production, subject to and in accordance with the terms of the credit agreement. The current borrowing base of US$85 million remains undrawn as at June 30, 2012.

The borrowing base will be re-determined periodically. Management expects that mid-year redetermination will be completed in August 2012 and that the continued transition reserves to the proved developed producing category will increase the borrowing base under the Facility over time.

Working Capital

As at June 30, 2012 Aurora had a working capital surplus as follows:

	At June 30, 2012	At December 31, 2011	% Change
(US$ thousands unless otherwise stated)			
Cash and cash equivalents	**118,930**	70,246	69%
Trade and other receivables	**52,300**	14,626	258%
Trade and other payables	**(154,828)**	(73,434)	111%
Surplus	**16,402**	11,438	43%

In addition to the US$16 million surplus at June 30, 2012 Aurora received net proceeds of approximately US$163 million on July 31,2012 from the Follow-on Note Offering described above.
The current drilling program for 2012 anticipates that Aurora would participate in 158 new development wells with a corresponding increase in net production revenue and has allocated $306 million in capital expenditure requirements in respect of such program which includes the additional capital expenditure resulting from its acquisition of an additional 12.25% working interest in the Sugarloaf AMI. Through a combination of production revenue, existing cash on hand (including proceeds of the Follow-on Note Offering) and availability under the Facility, the Company is sufficiently capitalised to meet its planned growth and development activities in 2012. The Company will continue to fund its on-going operations, including contractual obligations and commitments from a combination of operating cash flow, debt financing and equity raisings as required.

Contractual obligations and commitments

Aurora enters into contractual obligations as part of conducting business. The following is a summary of Aurora's contractual obligations and commitments as at the date of this report.

Payable in	2012	2013	2017
(US$ thousands unless otherwise stated)			
Senior Unsecured Notes	-	-	365,000
Office Lease	321	197	-
Drilling and completion	46,760	-	-
Facilities and equipment	-	-	-
Total commitments	47,081	197	365,000

Off Balance Sheet arrangements

Aurora has not entered into any off-balance sheet arrangements.

Dividends

No dividends have been declared, provided for or paid in respect of the year ended December 31, 2011 (December 31, 2010: Nil).

Transactions with related parties

During the quarter ended June 30, 2012, there were no transactions with related parties.

During the quarter ended June 30, 2011: $637,454 was paid to Epicure Administration Pty Ltd, a company in which Aurora's Chair, Mr Jonathan Stewart, is a director and beneficial shareholder on arm's length commercial terms under a sublease for head office accommodation (rental and outgoings) in Perth, Australia, car parking and office equipment. Effective July 1, 2011 the head office lease was assigned to Aurora and the agreement between Epicure Administration Pty Ltd and Aurora was terminated.

Financial Results Analysis

Summary of Quarterly Results

The following table highlights Aurora's key financial results for the quarterly periods from September 30, 2010 to June 30, 2011.

	Jun 30, 2012 (unaudited)	Mar 31, 2012 (unaudited)	Dec 31, 2011 (audited)	Sept 30, 2011 (unaudited)	Jun 30, 2011 (unaudited)	Mar 31, 2011 (unaudited)	Dec 31, 2010 (audited)	Sept 30, 2010 (unaudited)
(US$ thousands unless otherwise stated)								
Revenue	57,493	39,564	27,932	23,187	17,570	7,280	1,074	78
Other income	4,911	56	224	(342)	239	931	-	-
Profit / (loss) from continuing operations before income tax expense	20,287	13,778	10,062	10,437	8,045	3,683	(2,190)	(3,735)
Total comprehensive income for the period/year	3,652	8,323	4,318	9,780	10,232	4,952	8,751	1,206
Basic profit / (loss) per share (cents per share)	2.44	2.11	1.10	2.40	3.05	0.92	(0.68)	(1.39)
Diluted profit / (loss) per share (cents per share)	2.40	2.08	1.09	2.38	3.00	0.90	(0.68)	(1.39)
Total assets	856,407	600,704	380,826	288,995	271,279	250,632	204,537	63,981
Borrowings/ Loans Payable	206,331	197,186	30,000	-	-	-	-	-

Critical accounting estimates

The carrying amounts of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Share-based payment transactions

The Group measures the cost of equity-settled transactions with employees and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined by either using a binomial tree and Monte-Carlo simulation valuation technique or a Black Scholes Option Pricing Model.

Rehabilitation and decommissioning obligations

The Group estimates the future rehabilitation costs of production facilities, wells and pipelines at different stages of the development and construction of assets or facilities. In most instances, removal of assets occurs many years into the future. This requires judgemental assumptions regarding removal date, future environmental legislation, the extent of restoration activities and the future removal technology available and liability specific discount rates to determine the present value of these cash flows. As at June 30, 2012 rehabilitation obligations have a carrying value of $1,022,000 (June 30, 2011: Nil).

Reserves estimates

Estimation of reported recoverable quantities of proved and probable reserves include judgemental assumptions regarding commodity prices, exchange rates, discount rates and production and transportation costs for future cash flows. It also requires interpretation of complex geological and geophysical models in order to make an assessment of the size, shape, depth and quality of reservoirs and their anticipated recoveries. These factors used to estimate reserves may change from period to period.

Reserve estimates are prepared in accordance with assumption and methodology guidelines outlined in the Canadian Oil and Gas Evaluation Handbook and in accordance with National Instrument 51-101 – *Standards of Disclosure for Oil and Gas Activities.*
Reserve estimates are used to calculate amortisation of producing assets and therefore a change in reserve estimates impacts the carrying value of assets and the recognition of deferred tax assets due to the changes in expected future cash flows (see below).

Amortisation and depreciation

In relation to the amortisation of capitalised exploration and evaluation expenditure and the depreciation of property plant and equipment related to producing oil and gas properties, the Consolidated Entity uses a unit of production reserve depletion model to calculate amortisation and depreciation. This method of amortisation and depreciation necessitates the estimation of the oil and gas reserves over which the carrying value of the relevant assets will be expensed to the profit or loss. The calculation of oil and gas reserves is extremely complex and requires management to make judgements about commodity prices, future production costs and geological structures. The nature of reserve estimation is such that reserves are not intended to be 100% accurate but rather provide a statistically probable outcome in relation to the economically recoverable reserve. As the actual reserve can only be accurately determined once production has ceased, amortisation and depreciation expensed during the production may not on a year to year basis accurately reflect the actual percentage of reserve depleted. However, over the entire life of the producing assets all capitalised costs will be expensed to the profit or loss.

Impairment of assets

In the absence of readily available market prices, the recoverable amounts of assets are determined by discounting the expected future net cash flows from production and comparing these to the carrying value of the relevant asset or group of assets to determine the asset's net present value. The calculation of net present value is based on assumptions concerning discount rates, reserves, future production profiles, commodity prices and costs.

Changes in accounting disclosure

Effective January 1, 2011 the functional currency of the parent entity has changed from Australian dollars to US dollars as the trend in the source currency of the majority of the revenue and costs of the parent entity from Australian dollars to US dollars was not considered temporary.

Disclosure Controls and Procedures and Internal Control over Financial Reporting

Aurora has adopted comprehensive systems of control and accountability as the basis for the administration of corporate governance. The Board and management are committed to corporate governance and, except to the extent disclosed in the December 31, 2011 Annual Report, have adopted the Corporate Governance Principles and recommendations issued by the ASX Corporate Governance Council. Under the Corporate Governance Principles adopted, Aurora has appointed an audit committee.

The primary responsibility of the audit and risk management committee ("Committee") is to assist the Board in the effective discharge of the Board's responsibility for financial reporting, risk management, review of internal controls and the external audit.
Related responsibilities of the Committee include:

(a) monitoring and reviewing the integrity of the financial reporting including the audited and unaudited financial statements and earnings press releases;

(b) reviewing and discussing with management and external auditors Aurora's accounting policies and principles;

(c) overviewing Aurora's policy and systems for the identification, oversight and management of material business risks;

(d) monitoring risk management reports and management's response to unacceptable risks or weaknesses;

(e) overseeing the performance of external auditors and the relationship between management and the external auditors;

(f) monitoring and reviewing compliance with Aurora's Code of Conduct and Whistleblower Policy; and

(g) performing such other functions as assigned by law, Aurora's constitution, or the Board.

Outlook

Based on the current drilling program for 2012 and current commodity prices, management expect growth in production, revenue and profitability to continue throughout the second half of 2012.

The Company, with a net working capital balance of $16 million at June 30, 2012, net proceeds of US$163 million from the Follow-on Offering that closed on 31 July 2012, an increasing production profile and revenue stream together with the draw down capacity from the Facility, is currently funded to participate in the planned development program throughout 2012.

Risk assessment

There are a number of risks facing entities in the oil and gas industry in North America. Information regarding risk factors identified by Management that are associated with the business of Aurora and how Aurora seeks to mitigate these risks are contained in our Annual Information Form under the Risk Factors Section and in our Annual Report for the year ended December 31, 2012.

ABN 90 008 787 988

UNAUDITED INTERIM FINANCIAL REPORT

FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2012

aurora OIL&GASLIMITED
ABN 90 008 787 988

Consolidated statement of comprehensive income

For the three and six months ended June 30, 2011 and 2012

		Consolidated			
		Three months ended		Six months ended	
	Note	**June 30, 2012**	June 30, 2011	**June 30, 2012**	June 30, 2011
		US$'000	US$'000	**US$'000**	US$'000
Revenue from continuing operations		**57,493**	17,570	**97,057**	24,850
Other income		**4,911**	239	**4,967**	1,170
Total income	4	**62,404**	17,809	**102,024**	26,020
Royalties	4	**(15,403)**	(4,772)	**(25,795)**	(6,553)
Production and operating expenses	4	**(6,906)**	(1,272)	**(11,857)**	(1,717)
Administrative expenses		**(3,394)**	(2,080)	**(6,196)**	(3,565)
Depreciation and depletion expense	4	**(7,250)**	(771)	**(10,008)**	(1,203)
Share-based payment expenses	4	**(1,078)**	(855)	**(2,305)**	(1,240)
Evaluation costs	4	**(2,564)**	(14)	**(3,043)**	(14)
Finance costs	4	**(5,522)**	-	**(8,755)**	-
Profit from continuing operations before income tax expense		**20,287**	8,045	**34,065**	11,728
Income tax (expense) / benefit	5	**(9,957)**	4,473	**(15,030)**	4,473
Net profit attributable to members of the Company		**10,330**	12,518	**19,035**	16,201
Other comprehensive income					
Changes in fair value on equity instruments measured at fair value through other comprehensive income		**625**	252	**2,558**	(1,017)
Change in fair value of cash flow hedges		**3,388**	-	**1,073**	-
Other comprehensive income / (expense) for the period net of tax		**4,013**	252	**3,631**	(1,017)
Total comprehensive income for the period attributable to members of the Company		**14,343**	12,770	**22,666**	15,184
Earnings per share attributable to members of the Company					
Basic earnings per share (US cents per share)		**2.44**	3.05	**4.56**	3.99
Diluted earnings per share (US cents per share)		**2.40**	3.00	**4.48**	3.92

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

aurora OIL&GAS LIMITED
ABN 90 008 787 988

Consolidated statement of financial position

As at June 30, 2012

	Note	Consolidated June 30, 2012 US$'000	Consolidated December 31, 2011 US$'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

aurora OIL&GASLIMITED
ABN 90 008 787 988

Consolidated statement of changes in equity

For the three and six months ended June 30, 2011 and 2012

	For the six months 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**

Consolidated statement of changes in equity

For the three and six months ended June 30, 2011 and 2012

	For the three months 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 April 1, 2011	289,957	(8,845)	(34,254)	246,858	-	246,858
Profit for the period	-	-	12,518	12,518	-	12,518
Other comprehensive income						
Change in fair value of equity instruments measured at fair value through other comprehensive income	-	(2,286)	-	(2,286)	-	(2,286)
Total comprehensive income for the period	-	(2,286)	12,518	10,232	-	10,232
Transactions with owners, in their capacity as owners						
Contributed equity net of transaction costs	61	-	-	61	-	61
Options and performance rights expense recognised during the period	-	855	-	855	-	855
Balance as at June 30, 2011	290,018	(10,276)	(21,736)	258,006	-	258,006
Balance as at April 1, 2012	**290,194**	**(6,904)**	**1,352**	**284,642**	**-**	**284,642**
Profit for the period	**-**	**-**	**10,330**	**10,330**	**-**	**10,330**
Other comprehensive income						
Change in fair value of equity instruments measured at fair value through other comprehensive income	**-**	**584**	**-**	**584**	**-**	**584**
Change in fair value of cash flow hedges	**-**	**3,388**	**-**	**3,388**	**-**	**3,388**
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	**-**	**4,013**	**10,330**	**14,343**	**-**	**14,343**
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	**-**	**1,079**	**-**	**1,079**	**-**	**1,079**
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.

aurora OIL&GASLIMITED
ABN 90 008 787 988

Consolidated statement of cash flows

For the half-year ended June 30, 2012

		Consolidated			
		Three months ended		Six months ended	
	Note	**June 30, 2012**	June 30, 2011	**June 30, 2012**	June 30, 2011
		US$'000	US$'000	**US$'000**	US$'000
Cash flows from operating activities					
Receipts from oil and gas sales		**30,477**	5,448	**50,092**	6,119
Payments to suppliers and employees		**(8,913)**	(3,605)	**(22,099)**	(3,914)
Other revenue		**1,167**	-	**1,167**	-
Interest paid		**(120)**	-	**(120)**	-
Net cash inflows from operating activities		**22,611**	1,843	**29,040**	2,205
Cash flows from investing activities					
Payments for capitalised oil and gas assets		**(148,456)**	(23,056)	**(169,219)**	(34,510)
Payment for property, plant and equipment		**(11,171)**	(2,949)	**(18,019)**	(2,949)
Payment for other financial assets		**-**	-	**(252)**	-
Payment for acquisition of subsidiary, net of cash acquired	17	**(71,343)**	-	**(71,416)**	-
Interest received		**152**	155	**193**	561
Net cash (outflow) from investing activities		**(230,818)**	(25,850)	**(258,713)**	(36,898)
Cash flows from financing activities					
Proceeds from issues of shares		**120,138**	129	**120,138**	41,770
Share issue costs		**(5,007)**	(178)	**(5,007)**	(3,157)
Proceeds from borrowings		**-**	-	**197,104**	-
Repayment of borrowings		**-**	-	**(30,000)**	-
Borrowing costs		**(78)**	-	**(5,649)**	-
Net cash inflow from financing activities		**115,053**	(49)	**276,586**	38,613
Net (decrease)/increase in cash and cash equivalents		**(93,154)**	(24,056)	**46,913**	3,920
Cash and cash equivalents at the beginning of the financial period		**210,369**	74,904	**70,246**	45,997
Effect of exchange rates on cash holdings in foreign currencies		**1,715**	(335)	**1,771**	596
Cash and cash equivalents at the end of the financial period		**118,930**	50,513	**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:

	Three months ended		Six months ended	
	June 30, 2012 US$'000	June 30, 2011 US$'000	**June 30, 2012 US$'000**	June 30, 2011 US$'000
Revenue from oil and gas exploration and production	**57,341**	17,176	**96,864**	24,137
Revenue from other corporate activities	**5,063**	633	**5,160**	1,883
	62,404	17,809	**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:

	Three months ended		Six months ended	
	June 30, 2012 US$'000	June 30, 2011 US$'000	**June 30, 2012 US$'000**	June 30, 2011 US$'000
Profit from oil and gas exploration and production	**9,898**	14,818	**22,166**	19,121
Profit / (loss) from other corporate activities	**432**	(2,300)	**(3,131)**	(2,920)
	10,330	12,518	**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 period

Profit for the period ended June 30, 2012 includes the following items which are significant because of their nature, size or incidence:

		Three months ended		Six months ended	
	Note	**June 30, 2012 US$'000**	June 30, 2011 US$'000	**June 30, 2012 US$'000**	June 30, 2011 US$'000
Income					
Revenue from continuing operations					
Oil and gas sales		**57,305**	17,416	**97,031**	24,137
Realised profit / (loss) on forward commodity price contract		**36**	-	**(167)**	-
Interest		**152**	154	**193**	473
Other		**-**	-	**-**	240
		57,493	17,570	**97,057**	24,850
Other income					
Foreign exchange gain	*(i)*	**2,973**	239	**3,029**	1,170
Net gain on sale of available-for-sale financial assets		**770**	-	**770**	-
Net gain on foreign currency derivatives not qualifying as hedges		**1,167**	-	**1,167**	-
Other		**1**	-	**1**	-
		4,911	239	**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 a foreign exchange gain in relation to the retranslation of Australian and Canadian dollar denominated cash and cash equivalents.

4. Profit for the period (continued)

		Three months ended		Six months ended	
		June 30, 2012 US$'000	June 30, 2011 US$'000	**June 30, 2012 US$'000**	June 30, 2011 US$'000
Expenses					
Royalties expense	*(ii)*	**(15,403)**	(4,772)	**(25,795)**	(6,553)
Production and operating expenses					
Sales taxes	*(iii)*	**(1,907)**	(641)	**(3,289)**	(884)
Operating expenses	*(iv)*	**(4,999)**	(631)	**(8,568)**	(833)
Total production and operating expenses		**(6,906)**	(1,272)	**(11,857)**	(1,717)
Depletion and depreciation					
Depletion	*(v)*	**(6,878)**	(771)	**(9,313)**	(1,203)
Depreciation	*(vi)*	**(372)**	-	**(695)**	-
Total depletion and depreciation expense		**(7,250)**	(771)	**(10,008)**	(1,203)
Share-based payment expense	*(vii)*	**(1,078)**	(855)	**(2,305)**	(1,240)
Finance costs					
Interest expense		**(4,910)**	-	**(7,783)**	-
Amortisation of borrowing costs		**(468)**	-	**(746)**	-
Amortisation of debt discount		**(144)**	-	**(226)**	-
Total finance costs	*(viii)*	**(5,522)**	-	**(8,755)**	-
Exploration and evaluation costs written off	*(ix)*	**(2,564)**	(14)	**(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.

Notes to the financial statements

For the half-year ended June 30, 2012

5. Income tax

	Three months ended		Six months ended	
	June 30, 2012 US$'000	June 30, 2011 US$'000	**June 30, 2012 US$'000**	June 30, 2011 US$'000
(a) Income tax expense				
Current tax	**-**	-	**-**	-
Deferred tax	**9,957**	(4,473)	**15,030**	(4,473)
Income tax expense / (benefit)	**9,957**	(4,473)	**15,030**	(4,473)
(b) Numerical reconciliation of income tax expense to prima facie tax payable				
Profit from continuing operations before income tax expense	**20,287**	8,045	**34,065**	11,728
Tax at the Australian statutory tax rate of 30% (June 30, 2011: 30%)	**6,086**	2,413	**10,220**	3,518
Tax effect of amounts that are not deductible (taxable) in calculating taxable income				
Share-based payment expense	**247**	235	**540**	350
Foreign exchange gains not assessable	**(890)**	4,700	**(907)**	3,319
Revenue losses not previously recognised now brought to account	**233**	(550)	**(290)**	(550)
Overseas revenue losses not recognised	**637**	(9,672)	**666**	(10,430)
Income tax rate differences	**2,068**	(1,738)	**3,216**	(819)
Other non-allowable deductions	**1,576**	139	**1,585**	139
Income tax expense / (benefit)	**9,957**	(4,473)	**15,030**	(4,473)
(c) Tax expense (income) relating to items of other comprehensive income				
Available for sale financial assets	**3,167**	-	**2,338**	-
Cash flow hedges	**(1,452)**	-	**(460)**	-
	1,715	-	**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 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 below.

(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	December 31, 2011
	US$'000	US$'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 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.