2010 ANNUAL REPORT

aurora oil & gas limited

aurora oil & gas limited

Contents

Definitions

AMI	–	Area of Mutual Interest
mmscf	–	million standard cubic feet of gas
mscf	–	thousand standard cubic feet of gas
mmscfe	–	million standard cubic feet of gas equivalent (oil converted on a 12:1 basis and gas with a 25% calorific value uplift)
bbls	–	barrels
boe	–	equivalent barrels of oil (gas converted with a 25% calorific value uplift and on a 12:1 basis)
ft	–	feet
bbls/mmscf	–	barrels per million cubic feet of gas (condensate to gas ratio).
scf/bbl	–	standard cubic feet per barrel of oil (gas to oil ratio)
PDP	–	Proved Developed Producing
PDNP	–	Proved Developed Non – Producing
PUD	–	Proved Undeveloped
WI	–	Working Interest


Surface facilities at Sugarkane

Corporate Directory

Directors

Mr Jonathan Stewart – Executive Chairman

Mr Michael Blakiston – Non-Executive Director

Mr Graham Dowland – Non-Executive Director

Mr Gren Schoch – Non-Executive Director

Mr Ian Lusted – Technical Director

Company Secretary

Ms Julie Foster (Appointed 23 October 2009)

Mr David Lim (Resigned 23 October 2009)

Registered and Principal Office

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

Share Register

Security Transfer Registrars Pty Ltd
770 Canning Highway, Applecross WA 6153
Telephone: (61 8) 9315 2333
Facsimile: (61 8) 9315 2233
email: registrar@securitytransfer.com.au

Solicitors

Blakiston & Crabb
1202 Hay Street
Perth WA 6005

Auditor

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

Bankers

Australia and New Zealand Banking Group Limited

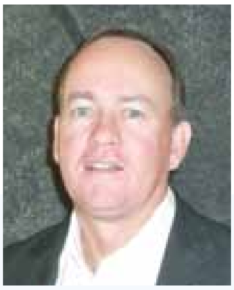
Stock Exchange Listing

Aurora Oil & Gas Limited shares
are listed on the Australian Securities
Exchange (Symbol: AUT).

Website and Email

www.auroraoag.com.au
info@auroraoag.com.au

Chairman's Letter



Dear Shareholders

I concluded last year's Chairman's Letter with a message of optimism about the year ahead and the drilling to be undertaken which I believed would further demonstrate the significant commercial gas and condensate field in which we participate. I am very pleased to report to you this year about the significant progress that has been made over the past twelve months and our plans for a very busy phase ahead of us in developing the excellent acreage in which we participate.

You will be aware that in September 2009 we advised of a farmout to Hilcorp Energy Limited, a large private Houston based E&P company, pursuant to which they would carry Aurora on a drilling program across our three joint venture areas to establish a portfolio of producing wells. We expected this program to demonstrate the potential of the acreage and transition the project from exploration and appraisal to development phase.

Hilcorp assumed Operatorship of our acreage early in this work program and the results they have delivered to date have been exceptional. We continue to be impressed with the quality of their people, the effectiveness of their operations and their business culture. A strong technical understanding of the project combined with very effective operating skills has led to significant improvements across the board. Well productivity has consistently been at the forefront of what is being achieved within the Eagle Ford Shale Trend; drilling times have been reduced dramatically, stimulation processes improved and production techniques varied to improve ultimate recoveries.

At the time of writing, the farmin program is almost complete and we have already commenced the next phase of development in which Aurora participates. We currently expect to have about 18 wells drilled on our acreage by the end of 2010 and up to 50 wells in total by the end of calendar year 2011.

Within our Operational Report is further detail regarding our maiden Reserves Report prepared by Netherland Sewell Associates in which we were allocated a 3P reserve of more than 33 million barrels of oil and 138 BCF of gas. This is a very good result. We expect the drilling program mentioned above to result in the majority of the 3P number becoming a 2P number by the end of 2011. Netherland Sewell mapped out a development plan of some 668 wells based on 80 acre spacing which will certainly keep the drill bit turning for several years.

We in fact consider that our reserves potential is considerably higher based on a number of issues discussed further herein.

Flex 3 rigfloor

I am pleased that we were able to manage our finances such that we remained adequately funded through to a position where the market began to recognise the value that was being created. In June we announced financing for the Company, subsequently finalised in July, from which we raised $41 million before costs. I would like to thank Euroz Securities Limited who acted as Lead Manager of the $35 million institutional placement and Black Swan Equities Limited for their underwriting of the $6 million Share Purchase Plan. Both issues were significantly oversubscribed. As a result, we are well funded to meet our share of the development of our acreage and look forward to the uptick in revenue generation from our drilling commencing late this year and from which, in due course, the majority of development funding will be sourced.

We were pleased to be added to the ASX 300 Index in mid September 2010 due to the growth in our market capitalisation and share market liquidity.

I would like to welcome our numerous new shareholders and thank them for their confidence. To our long standing shareholders thank you for your continued support, trust and patience. We have a small but effective, hard working group of employees to whom I would like to express our gratitude and also to our advisors, consultants and partners.

Yours sincerely

JONATHAN STEWART
Executive Chairman

Operational Report

Surface operations at Rancho Grande #1

Introduction

The 2009/2010 financial year has been extremely busy for the company with the exciting evolution of our acreage within the Sugarkane Field to development status. The field has progressed through the appraisal phase confirming commerciality and is now moving into the early stages of a significant development program that will see Aurora participate in over (and perhaps significantly more than) 650 wells in the coming years.

Aurora originally participated in the Sugarloaf #1 exploration well in 2006, which was targeting a deeper Hosston sand target. Although that particular well was off structure for the Hosston target, it did encounter a shallower clean high pressured Austin Chalk section which was correlated to a nearby well drilled by Burlington in 2005. As a result Aurora elected to participate in three separate participation agreements that looked to secure acreage that were prospective for the Austin Chalk, based on regional seismic data and technical data derived from a number of historical well penetrations. Land was leased in each Area of Mutual Interest ("AMI") and the foundation position that Aurora holds today was established by 2008.

Through 2007 and 2008 Aurora participated in three further horizontal wells within the Sugarloaf AMI. These wells confirmed the existence and continuity of the Austin Chalk horizon and also identified a second potential reservoir horizon that was immediately below the Chalk and in pressure communication with it. Whilst limited production was achieved out of the three wells, it was clear that both zones were highly prospective but further engineering work was needed to progress up the 'learning curve' to achieve a fully commercial outcome.

In late 2008, several US based specialist unconventional oil & gas companies announced newly established positions in an emerging shale trend referred to as the Eagle Ford Shale. The formation being referred to was the second potential reservoir that had been identified in the Sugarloaf AMI wells. Activity escalated quickly within the Eagle Ford Shale trend and in April 2009 Aurora announced that, in conjunction with existing partners it would be attempting to farmout an interest to a marquee industry E&P company, the objective being to achieve a funded program that would establish the field as a commercial development.

In September 2009, Aurora announced a successful farmout to Hilcorp Energy Company, a large private US company, that included a carry for a program of 10 wells. The farmout operations were separated into four separate groups:

- The existing three horizontal wells in the Sugarloaf AMI to be stimulated with a multi-stage fracturing design that had been successful elsewhere in the trend.
- Three new horizontal wells to be drilled, stimulated and tied into production within the Sugarloaf AMI
- Three new horizontal wells to be drilled, stimulated and tied into production within the Longhorn AMI
- One new horizontal well to be drilled, stimulated and tied into production within the Ipanema AMI.

Throughout 2010, Aurora has been able to regularly report successful results from the farmin wells and ongoing production data that supports the premise that the Sugarkane Field sits within a 'sweet spot' within a trend that is now generally considered by industry to be one of the most economic shale plays in the United States.

At the time of drafting this report, the final farm-in operation was underway within the Ipanema AMI and post-farmout development operations have commenced.

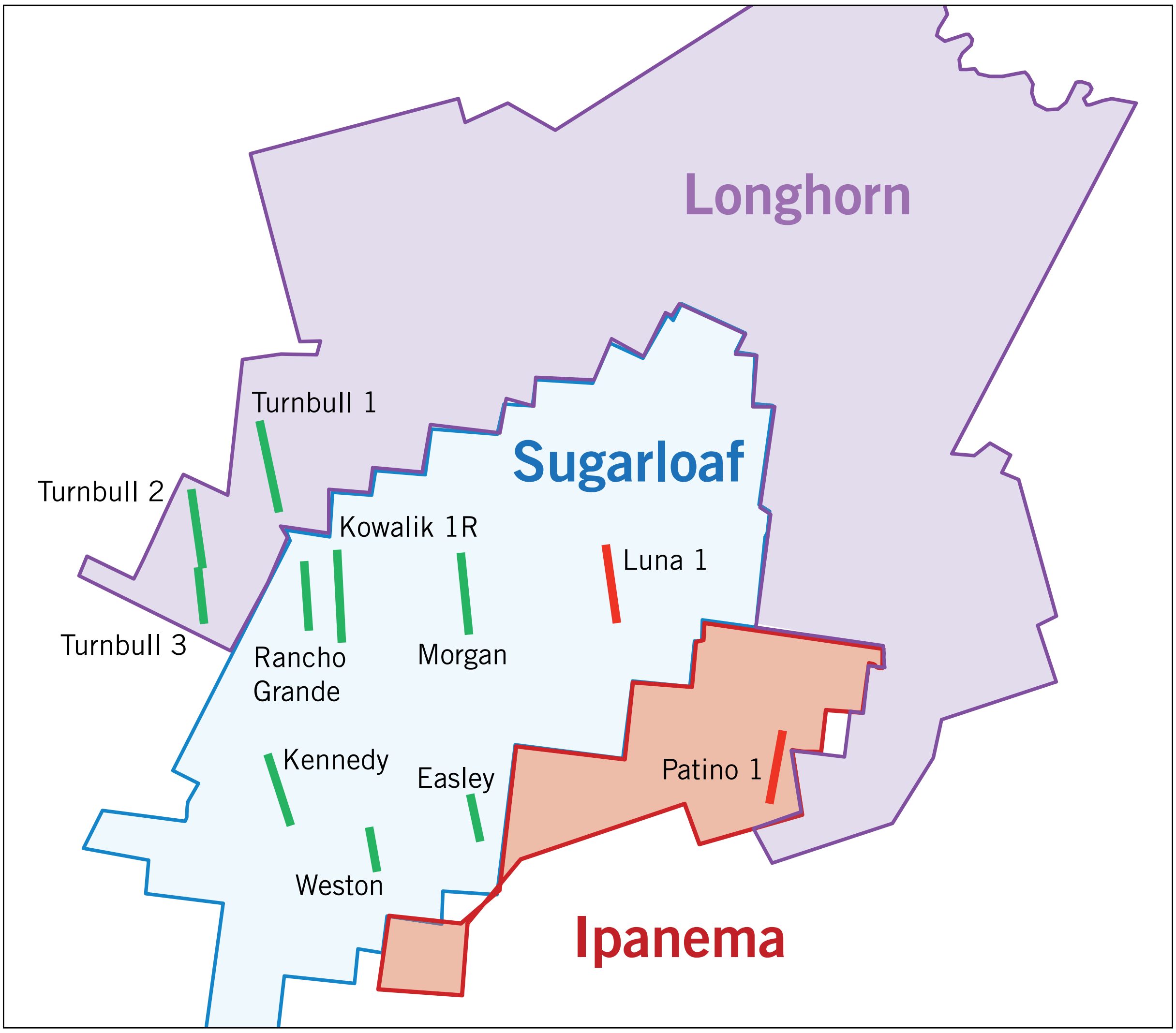
Operations

With the farmout in place by the end of September 2009, preparations began immediately for the first phase of work, the stimulation of the three existing wells within the Sugarloaf AMI. The wells, Kennedy #1H, Kowalik #1H and Weston #1H were all stimulated early in Q1 2010 with initial production results from the first two wells being provided to the market in January and February 2010 respectively. The wells were relatively short in horizontal length and not ideally completed for the proposed type of stimulation. Difficulties related to this issue ultimately led to the Kowalik #1H operations being abandoned. Despite the design shortcomings of the other two wells, the early production data was comparable with the best reported results within the trend.

Work commenced simultaneously on the first phase of new wells, with the Easley #1H, Morgan #1H and Rancho Grande #1H wells all being drilled within the Sugarloaf AMI. Hilcorp took over operatorship from Texas Crude whilst drilling the first well and thereafter mobilised their long term contracted rigs to the area. The improvement in drilling times and associated reduction in capital costs was dramatic. Hilcorp are presently averaging about 27 days from rig arrival to demobilisation for a 5,000 ft horizontal well at a vertical depth of approximately 12,000 ft. Following a result at Morgan #1H which was at the forefront of Eagle Ford trend results, the Rancho Grande well was produced with a restricted choke setting as part of efforts to optimise recoverable volumes and improve the well economics still further. The results to date at Rancho Grande are very encouraging in this respect.

Drilling at Sugarkane

Operational Report



This diagram is an indicative pictorial representation of Joint Venture areas within the Sugarkane Gas & Condensate Field and is not intended to be definitive schematically, to scale or reference owners of mineral rights.

Operations (cont'd)

In April 2010, the first farmin well at the Longhorn AMI commenced with the spudding of the Turnbull #1H well. During June and July 2010 two more wells were drilled on the Turnbull Ranch to satisfy the three well Longhorn farmin scope. Turnbull #1H was the first well drilled within the Aurora acreage to be designated an oil well by the Texas Railroad Commission. Turnbull #1 was produced on a restricted choke as was the Turnbull #2 well, which is located further down dip and is designated as a gas well. Evaluation of logs and production data from Turnbull #1 clearly indicated that there remained further scope for well performance improvement. As a result the stimulation of Turnbull #3 was designed to be done in 3 phases, with the well being allowed to clean up between each phase. Results from the first two phases are again very encouraging.

In August 2010, the final farmin well, the Patino #1H within the Ipanema AMI, was spudded. Once this well is completed and on production Hilcorp's farmin obligations will have been met.

On a post farmout basis, within the Sugarloaf AMI, the Kowalik #1R well was redrilled and the Luna #1H well was spudded in August 2010. At the time of writing this report, the Kowalik #1R and the Luna #1H wells were awaiting fracture stimulation.

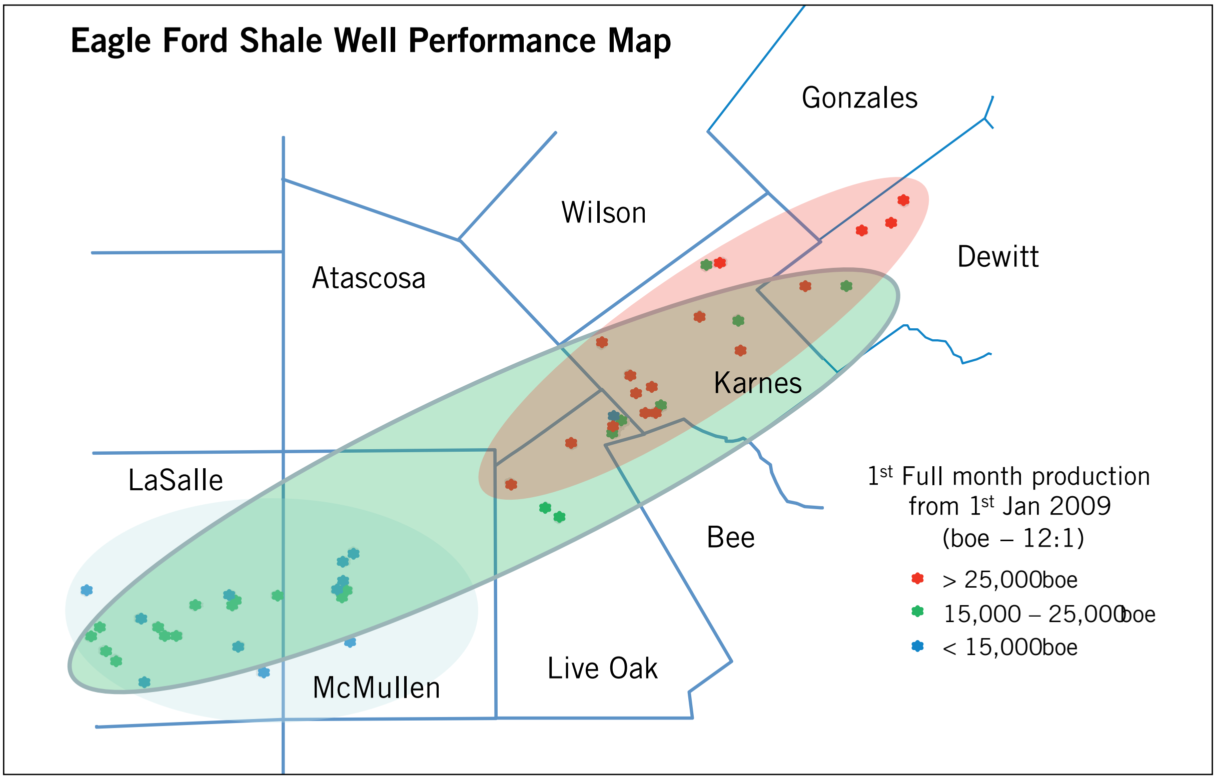
Production

Each of the wells drilled to date has been tied into production and flowed to sales immediately after fracture stimulation. Due to a combination of higher local pressures and fluid types, the Sugarkane field is in a premium location, within what is now considered one of the most economic shale plays in the United States. Production results to date support this statement. The initial production rates, decline curves and cumulative volumes are all comparable to the best reported figures within the Eagle Ford Shale trend to date and indicate a robust economic development. Indeed the Morgan #1H well, based on publicly available data is one of the top few wells!

The map below shows the equivalent barrels of oil produced during the first full month of production for each well within the central part of the trend. The results have been colour coded into three categories from which it can be clearly seen that the best performing wells (colour coded red) lie within or adjacent to the Sugarkane area.

From the results to date there is a clear production pattern developing which fits our reservoir model closely. Both the Eagle Ford Shale and Austin Chalk structurally dip down towards the Gulf of Mexico in the southeast. The deeper the reservoirs are, the hotter they become and as a result, the hydrocarbons they produce contain fewer liquids. The deepest areas of the Eagle Ford shale produce dry gas and commensurately in the shallowest areas of the play the Shale produces oil with little associated gas. In between these two depths, as the reservoir gets shallower, the produced gas

Sugarkane wellhead



Source: Drilling Info and Texas Railroad Commission

Operational Report

has an increasing amount of condensate associated with it. Across the Aurora acreage, depending on the depth of the reservoir, production to date has been predominantly gas with condensate ratios ranging from 50 to 400 bbls/mmscf. The shallowest penetration thus far has produced volatile oil with a Gas Oil Ratio of 1,750 scf/bbl.

The performance of each well is summarised in the table below. Initial production rates, which Aurora calculates as the maximum continuous 24 hour period of production, as well as 30 and 60 day totals are shown. In its reporting to date, Aurora has consistently used a 12:1 conversion basis whether reporting gas or oil equivalent rates, using the latter for wells that have been designated as oil wells. Whilst initial production rates may be of interest, we recommend that shareholders focus more on production performance over longer periods, particularly given that current stimulation and flow techniques being adopted inhibit or stage initial flow rates in favour of improved overall productivity, recoverability and economics.

Well	Initial Production		30 Day Average		60 Day Average	
	Gas (mmscf/d)	Condensate (bbls/d)	Gas (mmscf/d)	Condensate (bbls/d)	Gas (mmscf/d)	Condensate (bbls/d)
Kennedy #1H	4.39	1,132	3.05	661	2.47	514
Weston #1H	5.68	414	5.49	388	5.70	356
Easley #1H	6.81	780	4.20	407	3.68	327
Morgan #1H	5.16	2,046	3.65	1,283	3.35	1,087
Rancho #1H+	3.19	1,170	2.83	1,040	2.72	950
Turnbull #1H+	1.53	893	1.27	720	1.27	720
Turnbull #2H+	1.12	516				

+ These wells were produced on a ‘restricted’ choke setting.

Within the June quarterly report, issued in July 2010, Aurora provided the market with the following gross production data for each well.

Well	Q1 2010			Q2 2010		
	Gas (mmscf)	Condensate (bbls)	Days	Gas (mmscf)	Condensate (bbls)	Days
Kennedy #1H	151	31,383	62	104	19,500	90
Weston #1H	253	16,648	44	393	20,400	90
Easley #1H				227	20,000	62
Morgan #1H				211	68,000	64
Rancho #1H				85	31,200	30
Turnbull #1H				24	12,600	21*
Total	**404**	**48,031**	**106**	**1,044**	**171,700**	**336**

** This well produced limited volumes of hydrocarbons whilst initially unloading.*

Sugarkane LPG stripping facilities.

Looking Forward

The Operator has set the forward plan for Aurora's acreage for the remainder of the calendar year 2010, with a plan to drill 7 additional wells in the Sugarloaf AMI and one further well in the Ipanema AMI. This plan would result in 17-18 wells on production by the end of 2010.

For calendar year 2011, there is a provisional plan for Hilcorp to utilise 3 rigs, operating continuously, across the Sugarkane Field. For scheduling purposes and based on current operating results, it is assumed that each rig is capable of drilling a well each calendar month. Therefore a three rig operation translates to approximately 36 wells in 2011. Aurora participates in approximately 80% of Hilcorp's acreage within the Sugarkane Field and we therefore estimate participation in approximately 30 wells in 2011, the majority of which will be within the Longhorn acreage.

Activity for the next 18 months will be focused on retaining land through production. The leases in which Aurora holds a working interest provide the right to drill a well and access the hydrocarbons contained in that lease, within a fixed period of time. Subject to various extension provisions within the contracts, if a well is not drilled within that period then the lease will lapse. However, once a well has been drilled a certain amount of acreage is held whilst that well is on production. We anticipate the Sugarkane wells will produce for over 20 years. The rules governing exactly how much land is held by each well are complex but well understood. Aurora presently estimates that the first 80 – 100 wells will be drilled in order to hold all of its land position by production. As with our drilling to date, these wells will be spaced out to efficiently capture the whole acreage position and the forward drilling plan comfortably retains all acreage before leases expire. Thereafter the development focus will change to infill drilling with more closely spaced wells.

Operational Report

NSAI Reserves Statement

In October 2009 Aurora released a Contingent Resource certification undertaken by Netherland, Sewell & Associates Inc ("NSAI"), one of the pre-eminent Petroleum Engineering and shale certification specialists in the USA. That report provided the first independent validation of the potential recoverable volumes associated with the Aurora acreage within the Sugarkane Field.

In August 2010 Aurora released its maiden Reserve certification, also carried out by NSAI. NSAI deemed the entire Aurora acreage to be commercial and therefore all recoverable hydrocarbons are treated as reserves in their report. The Society of Petroleum Engineers guidelines for unconventional reserve classification, under which NSAI carried out their analysis, designate well locations immediately offset to producing wells as Proved status, those a 'step' further out are considered Probable and thereafter the remaining well locations are allocated Possible status. To generate their reserve estimates, NSAI mapped out a full field development of 668 wells (based on 80 acre spacing), allocated a reserve category depending on their proximity to the existing producing wells and also one of four standard 'type curves'. Each type curve is based on the reservoir depth at the planned well location and likely hydrocarbon characteristic that would be expected from that depth, i.e. gas or oil and condensate ratio. NSAI used the same mid case recoverable volume for each well location, regardless of reserve category. Aurora therefore expects that as wells are drilled going forward, there will be a systematic translation of Possible reserves into a Proven or Probable category.

The following table summarises the post royalty net reserve position as of 1st July 2010 allocated by NSAI to the Aurora interests in the Sugarkane Field.

In order to monitor the transition of reserves, Aurora plans to carry out regular updates to its reserve position on a 6 monthly basis.

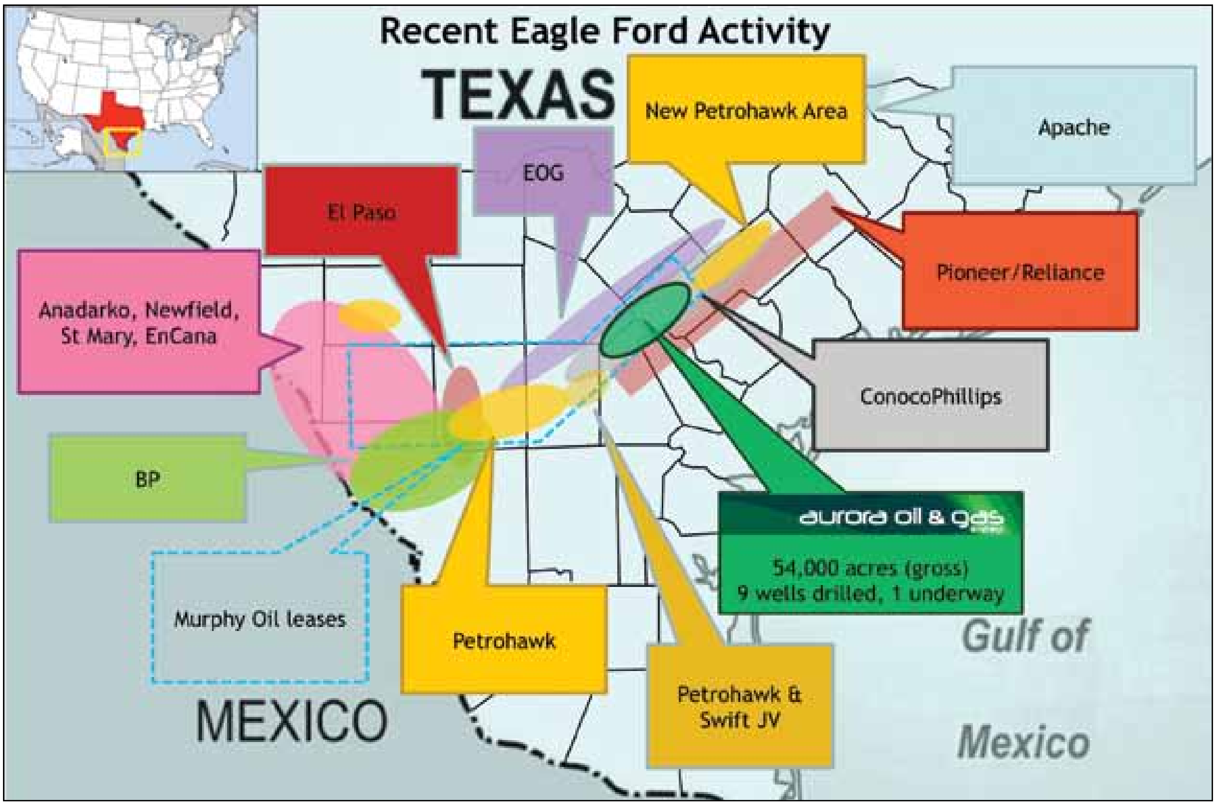
Kimble JT unit

Net Reserves AUT by AMI								
	Sugarloaf		Longhorn		Ipanema		Total	
	Oil (bbls)	Gas (mscf)	Oil (bbls)	Gas (mscf)	Oil (bbls)	Gas (mscf)	Oil (bbls)	Gas (mscf)
PDP	82,977	639,662	27,859	71,755	0	0	110,836	711,417
PDNP	0	0	46,179	194,438	0	0	46,179	194,438
PUD	750,686	5,504,193	615,417	1,906,318	0	0	1,366,102	7,410,511
Proven (1P)	**833,663**	**6,143,855**	**689,455**	**2,172,511**	**0**	**0**	**1,523,117**	**8,316,366**
Probable	1,848,186	12,031,815	838,480	3,187,984	107,497	1,403,352	2,794,162	16,623,150
2P	**2,681,848**	**18,175,670**	**1,527,934**	**5,360,495**	**107,497**	**1,403,352**	**4,317,279**	**24,939,516**
Possible	5,450,804	30,354,593	19,965,604	46,639,346	3,473,707	36,092,462	28,890,115	113,086,400
3P	**8,132,652**	**48,530,262**	**21,493,538**	**51,999,840**	**3,581,204**	**37,495,814**	**33,207,394**	**138,025,916**

Regional Activity

Activity within the Eagle Ford Shale trend was first publically acknowledged in late 2008. It is difficult to be exact, but it is estimated by industry that there were 50 – 100 wells drilled across the trend during the 2009 calendar year. By March 2010, it was estimated that there were 40 – 50 rigs operating, representing a significant increase in activity. As results from the Eagle Ford Shale are becoming better understood and the commercial value more clearly defined, this activity has increased further. Latest reports now estimate over 90 rigs operating in the trend and industry announcements would indicate further capital and resource allocations being made.

Below is a map illustrating where the major companies hold their acreage across the Eagle Ford trend and their position relative to the Sugarkane Field.



Operational Report

Regional Activity (cont'd)

The following companies own and operate acreage in close proximity to the Sugarkane field within the Eagle Ford Shale trend and provide an example of the level of activity presently taking place.

Pioneer Natural Resources (NSYE : PXD) – Pioneer have a large position across three counties which partially runs along the southern edge of the Aurora acreage. Pioneer recently announced that they had farmed out a 45% WI in 212,000 net acres to Reliance Industries Limited for US$1.15 billion. At the time of releasing their quarterly results in August they had drilled and completed 8 wells and had 5 on production. They advised they are now operating 5 drilling rigs with 7 expected by year end. The well count is expected to reach 26 by the end of 2010, with 70, 120 and 140 wells planned in subsequent years.

Petrohawk Energy Corp (NYSE : HK) – Petrohawk were the first large US based company to make announcements concerning their Eagle Ford acreage. They hold over 370,000 net acres in three distinct areas, with Blackhawk being adjacent and to the east of Sugarkane. Petrohawk are predominantly positioned within the Haynesville and Eagle Ford Shale and now make the point that the Blackhawk area is the most economic area in their portfolio. Petrohawk presently operate 8 rigs within the Eagle Ford Shale and have a 2010 budget of just under US$400 million.

Murphy Oil Corp (NYSE : MUR) – Murphy hold acreage immediately to the north east of the Longhorn AMI and are presently drilling their third well in that area. Additionally, within their 200,000 net acre portfolio , they hold land further to the south west within the dry gas window. Whilst it is relatively early days for Murphy they expect to sanction the oil development shortly. The company is presently expecting to have 5 rigs operating by early 2012.

EOG Resources (NYSE : EOG) – EOG have one of the largest positions in the trend with 500,000 net acres, most of which is within the oil window and lies to the north and west of the Sugarkane Field. The company is in the process of increasing its rig count from 5 to 12 before year end. They presently have 31 wells on line, 25 yet to be stimulated and are planning for 111 by the end of the year. In 2011 the well count will increase to 245 and the rig count will increase to 14.

Elixir Petroleum Limited

Aurora holds 20,000,000 shares, or approximately 13% of the issued share capital of Elixir. For a full description of this company's activity during the reporting period, readers are referred to the companies website at **www.elixirpetroleum.com.au**

Directors' Report

The Directors of Aurora Oil & Gas Limited present their report on the consolidated entity consisting of Aurora Oil & Gas Limited ("Company" or "Aurora") and the entities it controlled at the end of, or during, the year ended 30 June 2010 ("Consolidated Entity" or "Group").

Directors

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

Mr. Jonathan Stewart

Mr. Michael Blakiston

Mr. Graham Dowland

Mr. Gren Schoch

Mr. Ian Lusted

Unless otherwise stated each director held their office from 1 July 2009 until the date of this report.

Mr. Jonathan Stewart – *Executive Chairman*
Qualifications - B.Com, CA

Mr. Stewart was appointed a director of the Company on 22 February 2005. He is a qualified chartered accountant. He has 20 years experience in executive management positions in a number of industries including extensive international oil & gas experience. He is also Chairman of Elixir Petroleum Limited.

Mr. Stewart is a member of the Institute of Chartered Accountants.

Other current directorships of Australian listed public companies
Elixir Petroleum Limited

Former directorships with Australian listed public companies in last three years
Gawler Resources Limited

Interest in shares and options over shares in Group companies
17,219,434 fully paid ordinary shares in Aurora
3,000,000 performance rights in Aurora

Mr. Graham Dowland - *Non-Executive Director*
Qualifications - B.Com, CA

Mr. Dowland was appointed a director on 22 February 2005. He is a qualified chartered accountant who has for the past 20 years been involved as a director or senior consultant / advisor with a number of public companies listed on stock exchanges in Australia, Canada and the United Kingdom in various industries.

Other current directorships of Australian listed public companies
Imugene Limited

Former directorships with Australian listed public companies in last three years
Mint Wireless Limited (resigned 10 January 2008)
Eureka Energy Limited (resigned 5 July 2010)

Interest in shares and options over shares in Group companies
2,190,378 fully paid ordinary shares in Aurora

Directors' Report

Directors (cont'd)

Mr. Michael Blakiston - *Non-Executive Director*
Qualifications - B. Juris LLB

Mr. Blakiston was appointed a director of the Company on 7 November 2003. He is a partner of law firm Blakiston & Crabb.

Other current directorships of Australian listed public companies
Axiom Properties Limited
Platinum Australia Limited
Sundance Resources Limited

Former directorships with Australian listed public companies in last three years
Rox Resources Limited
Vulcan Resources Limited

Interest in shares and options over shares in Group companies
5,772,098 fully paid ordinary shares in Aurora

Mr. Gren Schoch – *Non-Executive Director*
Qualifications - B.Sc. M.Sc. P.Eng.

Mr. Schoch was appointed a director on 4 April 2005 and has extensive international oil & gas experience, primarily in Canada.

Other current directorships of Australian listed public companies
None

Former directorships with Australian listed public companies in last three years
None

Interest in shares and options over shares in Group companies
3,583,104 fully paid ordinary shares in Aurora

Mr. Ian Lusted - *Technical Director*
Qualifications – *B.Sc (Hons.)*

Mr. Lusted was appointed a director on 14 April 2008. He is a member of the Society of Petroleum Engineers. He has had more than 15 years experience in the practice of petroleum engineering.

Other current directorships of Australian listed public companies
Nil

Former directorships with Australian listed public companies in last three years
Nil

Interest in shares and options over shares in Group companies
118,500 fully paid ordinary shares in Aurora
1,000,000 options in Aurora
990,000 performance rights in Aurora

Ms Julie Foster – *Company Secretary* (appointed 23 October 2009)
Qualifications – BA(Hons), ACA (ICAEW), ACIS

Ms Foster has a degree in Accounting and Finance, is a Chartered Accountant (UK) and is a member of Chartered Secretaries Australia. Ms Foster is also currently Company Secretary for ASX Listed Elixir Petroleum Limited and Imugene Limited, and previously worked for Chartered Accounting firms in both the UK and Perth.

Interest in shares and options over shares in Group companies
Nil

Mr. David Lim - *Company Secretary* (resigned 23 October 2009)
Qualifications – B.Bus, CPA

Principal activities

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

Dividends

No dividends have been declared, provided for or paid in respect of the financial year ended 30 June 2010.

Consolidated results

	2010 $'000	2009 $'000
Consolidated loss before income tax expense	**(3,019)**	(17,970)
Income tax expense	**-**	-
Net loss	**(3,019)**	(17,970)

Post balance date events

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

(a) On 26 July 2010, Aurora announced the results of a General Meeting held on that date to ratify the Tranche 1 placement of 33,000,000 ordinary shares at an issue price of $0.75; to approve the Tranche 2 placement of 13,666,666 ordinary shares at an issue price of $0.75; and to approve the issue of 8,000,000 shares at an issue price of $0.75 pursuant to the underwritten Share Purchase Plan in accordance with the Notice of Meeting released to the ASX on 25 June 2010. All resolutions were passed on a show of hands.

(b) Aurora issued 600,000 ordinary fully paid shares at an issue price of $0.60 per share, 250,000 ordinary fully paid shares at an issue price of $0.50 per share and 25,000 ordinary fully paid shares at an issue price of $0.53 per share to option holders upon the exercise of options.

(c) Aurora issued 840,000 ordinary fully paid shares at no cost per share to performance rights holders upon the exercise of performance rights.

Directors' Report

Post balance date events (cont'd)

(d) On 18 August 2010, Aurora released a summary of a maiden Reserves certification independently carried out by the USA based consultancy firm, Netherland, Sewell & Associates, Inc. ("NSAI") in respect of the Group's interest in the Sugarkane Field. The following reserve allocations were made with an effective date of 1 July 2010:

1P – 1,523,000 bbls, 8.3 Bcf and NPV(10) US$70.2 million

2P – 4,317,000 bbls, 24.9 Bcf and NPV(10) US$190.1 million

3P – 33,207,000 bbls, 138.0 Bcf and NPV(10) US$986.2 million

Other than as disclosed above, no event has occurred since 30 June 2010 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.

Significant changes in the state of affairs

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

Review of operations

Corporate

On 18 June 2010 Aurora announced that it had successfully raised $35 million in a placement to sophisticated and institutional investor clients of Euroz Securities Limited. In addition, a Share Purchase Plan ("SPP"), fully underwritten by Black Swan Securities Limited, for a further $6 million was announced. Both issues were oversubscribed and were closed subsequent to the end of the financial year. These funds together with existing cash reserves, are to be applied to the Company's share of development expenditure at its Sugarkane acreage and for general working capital purposes.

Operations

Aurora participates in nearly 54,000 gross acres within the Sugarkane Field which is located in South East Texas, USA. Aurora holds its interest in the field through three Joint Ventures or Areas of Mutual Interest ("AMI").

The Sugarkane Field forms part of the Eagle Ford Shale trend, which is increasingly regarded as one of the most economic shales within the United States. The Eagle Ford Shale trend has seen a dramatic increase in operational and commercial activity.

During the reporting period the company entered in to a farmout arrangement with Texas Crude Energy ("TCEI") for the farmout of a drilling, completion and stimulation program across its acreage within the Sugarkane Field. Pursuant to this agreement TCEI sought a third party to meet the obligations of the work program in return for a working interest across the acreage.

In September 2009, Aurora advised that TCEI had entered into a farmout agreement with Hilcorp Energy Company ("Hilcorp"), a Houston based company estimated to be the fourth largest private exploration and production company in the USA.

Pursuant to the farmout work program, Hilcorp was to undertake at its cost the drilling, completion and tie in of up to seven new horizontal wells and the stimulation of the three existing Sugarloaf horizontal wells. In return for completing the work program Hilcorp can earn up to 50% of Aurora's interest in the Sugarloaf and Longhorn AMI's and 5/8ths of the Ipanema AMI. Hilcorp are entitled to a priority cost recovery on the work program, following which revenue for the Company from farmin wells and subsequent wells is earned on a post farmout basis.

Sugarloaf AMI (10% WI post farmout)

During the reporting period Hilcorp completed the farmin work program within the Sugarloaf AMI including the stimulation of the three existing wells and completion of three new wells. One of the existing wells encountered mechanical problems following fracture stimulation, was subsequently plugged and abandoned and a replacement well has since been redrilled. The balance of wells are on production.

Longhorn AMI (25% WI post farmout)

During the reporting period two of the three farmin wells were drilled, completed and fracture stimulated with one flowed to sales. At the time of this report the third well has also been completed and all three wells flowed to sales.

Ipanema AMI (30% WI post farmout)

The farmout well at Ipanema was spudded during August 2010 and is drilling ahead at the time of writing this report.

Forward Drilling Program

The production rates from wells to date have been very encouraging and indicate that the Sugarkane Field is one of the best Eagle Ford areas within what is regarded as an already very economic Shale trend. The 2010 operations program consists of completing the fracture stimulation of the third Longhorn well, the drilling, completion and production of the first Ipanema well and then the drilling of up to 8 further wells at Sugarloaf and 2 further wells at Ipanema.

In 2011, the expectation is that three rigs and a full time frac crew will be operating within the Company's Sugarkane field interests. Although the final program is subject to operator variation, this translates to an expectation of approximately 30 wells within Aurora's acreage during 2011, the majority of which are scheduled to be within the Longhorn AMI.

The current and scheduled drilling program has been determined based on a decision to ensure that all of the acreage in which Aurora participates is "held by production" within the period of existing leases.

Environmental regulation

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

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

Likely developments

Due to the nature of the Consolidated Entity's business activities, the Directors are not able to state:

(a) likely developments in the entities' operations; or

(b) the expected results of these operations,

as to do so would result in unreasonable prejudice to the Consolidated Entity.

Directors' Report

Meetings of Directors

The following table sets out the number of meetings of the Company's directors held during the year ended 30 June 2010, and the number of meetings attended by each director.

	No. eligible to attend	No. attended
Full board meetings		
Michael Blakiston	6	6
Graham Dowland	6	5
Ian Lusted	6	5
Gren Schoch	6	6
Jonathan Stewart	6	6
Audit committee meetings		
Michael Blakiston	2	2
Graham Dowland	2	2
Gren Schoch	2	2
Remuneration committee meetings		
Graham Dowland	1	1
Michael Blakiston	1	1
Gren Schoch	1	1

In addition to the above meetings other matters were resolved by the board by circular resolution.

Share options and performance rights

At the date of this report the following unlisted options and performance rights have been granted over unissued capital:

Grant Date	2010 Number	Exercise Price	2009 Number	Exercise Price	Expiry
22-Feb-05	**-**	-	8,000,000	$ 0.19	22-Feb-10
28-Apr-05	**-**	-	4,285,714	$ 0.24	14-Apr-10
28-Apr-05	**-**	-	2,185,000	$ 0.19	14-Apr-10
28-Apr-05	**-**	-	805,000	$ 0.19	14-Apr-10
28-Apr-05	**-**	-	1,000,000	$ 0.29	14-Apr-10
28-Apr-05	**-**	-	1,833,000	$ 0.30	28-Apr-10
31-Mar-06	**500,000**	$ 0.50	500,000	$ 0.50	30-Mar-11
9-Oct-07	**500,000**	$ 0.60	500,000	$ 0.60	30-Sep-10
9-Oct-07	**500,000**	$ 0.70	500,000	$ 0.70	30-Sep-10
21-Dec-07	**500,000**	$ 0.60	500,000	$ 0.60	30-Sep-10
21-Dec-07	**500,000**	$ 0.70	500,000	$ 0.70	30-Sep-10
9-Jul-08	**250,000**	$ 0.60	250,000	$ 0.60	31-Dec-10
9-Jul-08	**500,000**	$ 0.70	500,000	$ 0.70	31-Dec-11
9-Oct-08	**25,000**	$ 0.53	25,000	$ 0.53	30-Sep-10
19-Feb-10	**4,530,000**	$ 0.00	-	-	19-Feb-15
Total	**7,805,000**		21,383,714		

Shares issued on the exercise of options

The following fully paid ordinary shares were issued during the year ended 30 June 2010 on the exercise of options (2009: Nil). No amounts are unpaid on any of the shares.

Grant Date	2010 Number	Exercise Price	2009 Number	Exercise Price
22-Feb-05	**8,000,000**	$ 0.19	-	-
28-Apr-05	**4,285,714**	$ 0.24	-	-
28-Apr-05	**2,185,000**	$ 0.19	-	-
28-Apr-05	**805,000**	$ 0.19	-	-
28-Apr-05	**1,000,000**	$ 0.29	-	-
28-Apr-05	**1,833,000**	$ 0.30	-	-
Total	**18,108,714**		-	

Directors' Report

Remuneration report

This remuneration report outlines the director and executive remuneration arrangements of the Company and the Group in accordance with the requirements of the *Corporations Act 2001* and its Regulations. For the purposes of this report, key management personnel (KMP) of the Group are defined as those persons having authority and responsibility for planning, directing and controlling the major activities of the Group, directly or indirectly, including any director (whether executive or otherwise) of the parent company, and includes the five executives in the Group receiving the highest remuneration.

For the purposes of this report, the term 'executive' encompasses the chief executive, senior executives, general managers and secretaries of the Group.

The remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

Details of key management personnel (including the five highest executives of the Company and the Group)

a) Directors

Jonathan Stewart	Chairman (Executive)
Michael Blakiston	Non-Executive Director
Graham Dowland	Non-Executive Director
Gren Schoch	Non-Executive Director
Ian Lusted	Technical Director

b) Executives

Julie Foster	Company Secretary (appointed 23 October 2009)
David Lim	Company Secretary (resigned 23 October 2009)
Malcolm Bult	Commercial Manager

Remuneration committee

The remuneration committee of the board of directors of the Company is responsible for determining and reviewing remuneration arrangements for the directors and executives. The remuneration committee assesses the appropriateness of the nature and amount of remuneration of executives on a periodic basis by reference to relevant employment market conditions with the overall objective of ensuring maximum stakeholder benefit from the retention of a high quality, high performing director and executive team.

Remuneration philosophy

The performance of the Company depends upon the quality of its directors and executives. To prosper, the Company must attract, motivate and retain highly skilled directors and executives. To this end, the charter adopted by the remuneration committee aims to align rewards with achievement of strategic objectives. The remuneration framework applied provides for a mixture of fixed and variable pay and a blend of short and long term incentives as appropriate.

For personal use only

Remuneration structure

In accordance with best practice corporate governance, the structure of non-executive director and executive remuneration is separate and distinct.

Non-executive directors

The maximum aggregate amount of fees that can be paid to non-executive directors is subject to approval by shareholders at a General Meeting. At the Company's Annual General Meeting held on the 24th of November 2008, the shareholders of the Company approved that the aggregate amount of Directors' fees payable to non-executive directors of the Company be set at $300,000 per annum in total. The Company's policy is to remunerate non-executive directors at market rates (for comparable companies) for time, commitment and responsibilities. Fees for non-executive directors are not linked to the performance of the Company, however to align directors' interests with shareholders' interests, directors are encouraged to hold shares in the Company.

Post employment benefits

The Company makes superannuation contributions for the Australian directors as required by law. As part of the consultancy agreement under which Mr. Stewart is engaged, the Company is required to pay Epicure Capital Pty Ltd the equivalent of 3 months fees on termination of the contract, other than on termination for gross misconduct.

Other benefits

No motor vehicle, health insurance or other similar allowances are made available to directors.

Executives

Base pay

Executives are offered a competitive level of base pay which comprises the fixed (unrisked) component of their pay and rewards. Base pay for senior executives is reviewed annually to ensure market competitiveness. There is no guaranteed base pay increase included in any senior executives' contracts.

Short term incentives

Payment of short term incentives is dependent on the achievement of key performance milestones as determined by the board in its function as the Company's remuneration committee. These milestones require performance in relation to key strategic, non-financial measures linked to drivers of performance in future reporting periods.

Short-term bonus payments may be adjusted up or down in line with under or over achievement relative to target performance levels at the discretion of the remuneration committee.

For the year ended 30 June 2010, no short term incentives were paid or payable to Key Management Personnel of the Consolidated Entity.

Long term incentives

The remuneration committee may at its sole discretion (except where shareholder approval is required by law) grant options or performance rights over shares in the Company as a means of incentivising its executives, other directors and key consultants to the Company. This is considered a valuable means of aligning the interest of shareholders and the individuals to whom such long-term incentives are provided. The number of options or performance rights granted and their terms and conditions are determined by the board on an ad-hoc basis in order to best match such awards with the actual circumstances of the Company at a given point in time. There is a restriction placed on the grantee of options to prevent them from entering into transactions to remove the "at risk" aspect of the unvested equity instruments.

Directors' Report

Remuneration structure (cont'd)

Group performance

The remuneration committee designed and approved offers under a performance rights plan to key executive as a means of improving Company performance and increasing shareholder value, by directly aligning some components of key executives' remuneration with the performance of the Company over the medium to long term. The performance rights plan and resolutions of offer to key executives were approved at a general meeting of Aurora Oil & Gas Limited held on the 19 February 2010.

The plan has been design to reward superior performance based on materially improved Company performance in terms of growth in the value of Aurora Oil & Gas Limited and resulting increase in shareholder value. The table set out below shows various commonly used measures of performance for each financial year for the past five years:

	Year ended 30 June				
	2006	**2007**	**2008**	**2009**	**2010**
Revenues from oil & gas sales ($'000)	1,695	913	1,280	1,224	306
Profit/(Loss) after tax ($'000)	(1,360)	(2,150)	(10,099)	(17,970)	(3,019)
Share price at start of year	$0.250	$0.480	$0.540	$0.370	$0.120
Share price at end of year	$0.480	$0.540	$0.370	$0.120	$0.770
Change	$0.230	$0.060	($0.170)	($0.250)	$0.650
Profit/Loss per share	($0.013)	($0.015)	($0.052)	($0.089)	($0.012)
Total Shareholder Return (TSR)	$0.217	$0.045	($0.222)	($0.339)	$0.638

No dividends have been paid or declared during these periods.

Service agreements

On appointment to the Board, all executive directors enter into service agreements with the company in the form of either a consultancy contract or employment contact.

Remuneration and other terms of agreement for the Executive Chairman are formalised in a consultancy agreement with Epicure Capital Pty Ltd an associated company of Mr. Stewart. Remuneration and other terms of agreement with other named executives are not formalised in service agreements.

Material terms of the contract with Epicure Capital Pty Ltd are as follows:

- Term of agreement – indefinite.
- Consultancy fee inclusive of superannuation and taxes, but excluding GST of $310,000 per annum, to be reviewed annually by the board.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months consultancy fees.

Remuneration and other terms of agreement for the Executive Director, Mr. Lusted and other executive, Mr. Bult, are formalised in an employment contract.

Material terms of the contract with Mr. Lusted are as follows:

- Term of agreement – indefinite.
- Base salary, inclusive of superannuation of $154,012 (full time equivalent: $220,017), to be reviewed annual by the remuneration committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months salary.

Material terms of the contract with Mr. Bult are as follows:

- Terms of agreement – indefinite.
- Base salary, inclusive of superannuation of $91,875 (full time equivalent: $183,750), to be reviewed annual by the remuneration committee.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to three months salary.

Remuneration of key management personnel and executives of the Company and Group

2010	Short-term benefits			Post-employment benefits		Share-based payment		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Performance Rights $	Total $	Performance related %
Non-executive directors								
Graham Dowland	50,000	-	-	-	-	-	50,000	-
Michael Blakiston	45,872	-	-	4,128	-	-	50,000	-
Gren Schoch	50,000	-	-	-	-	-	50,000	-
Sub-Total non-executive directors	**145,872**	**-**	**-**	**4,128**	**-**	**-**	**150,000**	**-**
Executive directors								
Jonathan Stewart#	310,000	-	-	-	-	74,818	384,818	19%
Ian Lusted#	84,102	-	-	7,569	-	36,716	128,387	29%
Sub-Total executive directors	**394,102**	**-**	**-**	**7,569**	**-**	**111,534**	**513,205**	**-**
Other executives								
Julie Foster(1)	-	-	-	-	-	-	-	-
David Lim(2)	-	-	-	-	-	-	-	-
Malcolm Bult(3)#	35,121	-	-	3,161	-	21,644	59,926	36%
Sub-Total other executives	35,121	-	-	3,161	-	21,644	59,926	36%
Total – key management personnel	**575,095**	**-**	**-**	**14,858**	**-**	**133,178**	**723,131**	**-**

Remuneration of key management personnel and executives of the Company and Group (cont'd)

2009	Short-term benefits			Post-employment benefits		Share-based payment		
Name	Cash salary and fees $	Cash bonus $	Non-monetary benefits $	Super-annuation $	Retirement benefits $	Performance Rights $	Total $	Performance related %
Non-executive directors								
Graham Dowland	50,000	-	-	-	-	-	50,000	-
Michael Blakiston	45,872	-	-	4,128	-	-	50,000	-
Gren Schoch	50,000	-	-	-	-	-	50,000	-
Sub-Total non-executive directors	**145,872**	**-**	**-**	**4,128**	**-**	**-**	**150,000**	
Executive directors								
Jonathan Stewart#	310,000	-	-	-	-	-	310,000	-
Ian Lusted#	25,229	-	-	2,271	-	-	27,500	-
Sub-Total executive directors	**335,229**	**-**	**-**	**2,271**	**-**	**-**	**337,500**	**-**
Other executives								
David Lim(2)	-	-	-	-	-	-	-	-
Alex Neuling(4)	-	-	-	-	-	-	-	-
Total – key management personnel	**481,101**	**-**	**-**	**6,399**	**-**	**-**	**487,500**	**-**

(1) Ms. Foster appointed as Company Secretary on 23 October 2009
(2) Mr. Lim appointed as Company Secretary on 5 May 2009 and resigned as Company Secretary on 23 October 2009.
(3) Mr Bult appointed as an executive on 16 February 2010.
(4) Mr Neuling resigned as Company Secretary on 9 April 2009.
\# Denotes one of the 5 highest paid executives of the Group, as required to be disclosed under the Corporations

Share-based compensation

Options

No options were granted during the current financial year to directors or key management personnel of the Company (2009: Nil). No options granted to directors or key management personnel of the Company lapsed during the current year (2009: Jonathan Stewart – 161,550 options)

The following shares were issued on exercise of options during the year to 30 June 2010 (2009: Nil).

	Date of exercise of options	Number of ordinary shares issued on exercise of options during the year	Value at exercise date*	Amount paid per share
2010				
Non-executive directors				
Michael Blakiston	14 April 2010	500,000	$100,000	$0.29
Gren Schoch	6 April 2010	500,000	$85,000	$0.29

* The value at the exercise date of options that were granted as part of remuneration and were exercised during the year has been determined as the intrinsic value of the option at that date.

Performance Rights Plan

Performance rights over shares in Aurora Oil & Gas Limited were granted under the Aurora Oil & Gas Limited Performance Rights Plan ("Plan") which was approved by shareholders at the general meeting held on the 19 February 2010. The Plan is designed to align the interests of executives with shareholders by providing direct participation in the benefits of future Company performance over the medium to long term.

The participants of the plan are:

- Jonathan Stewart
- Ian Lusted
- Malcolm Bult

Under the plan, participants were granted performance rights which only vest if certain performance standards are met and the executive remains employed by the Company to the end of the vesting period. The selection of suitable performance benchmarks were considered critical to securing the objective of this Plan, and have been set at significantly higher levels than those prevailing at the time of structuring the Plan.

The performance hurdle for the first grant of performance rights under the Plan is the price of Shares quoted on the ASX (code: AUT). This price is calculated as the volume weighted average price of trades (**VWAP**) over the last fifteen trading days of July in each performance period (including the last day). The VWAP of the Aurora ordinary shares for the two months prior to the grant of the performance rights was $0.34. The performance hurdles determined by the Board, and their vesting percentage, for the first grant of performance rights under the Plan are as follows:

	Minimum price (15 day VWAP) for which the following percentage vest (cents)		
	33.33%	**66.67%**	**100%**
Performance Period Last 15 trading days in	**of the performance rights vest if the VWAP for the Shares is equal to or greater than**	**of the performance rights vest if the VWAP for the Shares is equal to or greater than**	**of the performance rights vest if the VWAP for the Shares is equal to or greater than**
July 2010	45	53	60
July 2011	53	60	70
July 2012	60	70	80
July 2013	70	80	90

Performance rights can only be exercised if they have vested and can be exercised until they lapse. The exercise of any vested performance right may only be effected in such form and manner as the Board may prescribe. Following exercise of a performance right, the Company must issue or transfer to the person exercising the performance right the number of shares in respect of which the performance right has been exercised and credited as fully paid. All shares issued or transferred to a participant under this Plan, will, from the date of issue or transfer, rank equally with all other issued shares.

Share-based compensation (audited) (cont'd)

Performance Rights Plan (cont'd)

Participants will not be required to make any payment for the grant of the performance rights or on the exercise of a vested performance right. The maximum number of performance rights that could vest, and hence be exercised by the participants are as follows:

	Earliest exercise date 31 July 2010	Earliest exercise date 31 July 2011	Earliest exercise date 31 July 2012	Earliest exercise date 31 July 2013	Total*
Jonathan Stewart	450,000	750,000	900,000	900,000	3,000,000
Ian Lusted	240,000	360,000	390,000	-	990,000
Malcolm Bult	150,000	180,000	210,000	-	540,000
Total	840,000	1,290,000	1,500,000	900,000	4,530,000

For the full entitlement of these performance rights to vest, the top range of the performance hurdle would need to be met in the last 15 trading days in July for each year from 2010 to 2013.

The performance hurdles for the grant of performance rights under the Plan to participants, as described above, are classified as market-based hurdles. In determining the value of the performance rights granted to participants, a risked statistical analysis was used that took into account, as at the grant date, the following variables and assumptions:

i. expected life of the instrument – the performance rights will expire, should they not previously be exercised, no later than 5 years after the date of grant. The date of grant is assumed to be 19 February 2010;

ii. current price of the underlying share – the share price as at 19 February 2010 is $0.29, based on the closing price of Shares on the ASX on that date;

iii. expected volatility – the price volatility of the Shares is approximately 85%;

iv. expected dividends – there are no dividends presently expected to be paid in respect of the underlying shares; and

v. the risk-free interest rate for the expected life of the instrument – the average current risk free interest rate is approximately 4.8%.

* No performance rights have vested as at 30 June 2010.

On this basis the implied value of each of the performance rights at the date of grant is as follows:

Performance rights vesting – 31 July 2010	Performance rights vesting – 31 July 2011	Performance rights vesting – 31 July 2012	Performance rights vesting – 31 July 2013
$0.13	$0.09	$0.06	$0.03

The aggregate implied value of the market-based performance rights at the date of grant is $207,000 for Mr Stewart, $87,000 for Mr Lusted and $48,300 for Mr Bult.

Details of remuneration

For the grant of performance rights included above, the percentage of the available grant that vested in the financial year, and the percentage that were forfeited because a performance hurdle was not met, is set out below. The maximum value of performance rights yet to vest has been determined as the amount of the grant date fair value of the performance rights that is yet to be expensed.

Share-based compensation benefits (performance rights)

Name	Year granted	Vested %	Forfeited %	Financial year in which benefits may vest	Maximum total value of grant yet to vest $
Jonathan Stewart	2010	-	-	30/6/2013	27,000
		-	-	30/6/2012	81,000
		-	-	30/6/2011	148,500
		-	-	30/6/2010	207,000
Ian Lusted	2010	-	-	30/6/2012	23,400
		-	-	30/6/2011	55,800
		-	-	30/6/2010	87,000
Mal Bult	2010	-	-	30/6/2012	12,600
		-	-	30/6/2011	28,800
		-	-	30/6/2010	48,300

This is the end of the audited remuneration report.

Directors' Report

Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is included on page 29 of the financial statements.

Non-audit services

No non-audit services were provided to the Group by the auditor during the year (or by another person or firm on the auditor's behalf) and accordingly the directors are satisfied that the provision of non-audit services, during the year, by the auditor is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*.

Rounding off of amounts

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

Insurance of officers and auditors

The Company has paid a premium in respect of a contract insuring the directors of the Company (as named above) and the Company Secretary, Ms Julie Foster, against liabilities incurred as such a director, secretary or executive officer to the extent permitted by the *Corporations Act 2001*. The contract of insurance prohibits disclosure of the nature of the liability and the amount of the premium. The Company has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Company or of any related body corporate against a liability incurred as such an officer or auditor.

This report is made in accordance with a resolution of the directors made pursuant to s.306 (3) of the *Corporations Act 2001*.

On behalf of the Directors

JONATHAN STEWART
Executive Chairman

22 September 2010

Auditor's independence declaration

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

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

22 September 2010

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

Dear Sirs

DECLARATION OF INDEPENDENCE BY PETER TOLL TO THE DIRECTORS OF AURORA OIL & GAS LIMITED

As lead auditor of Aurora Oil & Gas Limited for the year ended 30 June 2010, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

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

Peter Toll
Director

BDO

BDO Audit (WA) Pty Ltd
Perth, Western Australia

BDO Audit (WA) Pty Ltd ABN 79 112 284 787 is a member of a national association of independent entities which are all members of BDO (Australia) Ltd ABN 77 050 110 275, an Australian company limited by guarantee. BDO Audit (WA) Pty Ltd and BDO (Australia) Ltd are members of BDO International Ltd, a UK company limited by guarantee, and form part of the international BDO network of independent member firms. Liability limited by a scheme approved under Professional Standards Legislation (other than for the acts or omissions of financial services licensees) in each State or Territory other than Tasmania.

Independent Auditor's Report

Tel: +8 6382 4600
Fax: +8 6382 4601
www.bdo.com.au

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

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

Report on the Financial Report

We have audited the accompanying financial report of Aurora Oil & Gas Limited, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The Directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1(a), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements, that the financial statements comply with International Financial Reporting Standards*.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001* would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion

In our opinion:

(a) the financial report of Aurora Oil & Gas Limited is in accordance with the *Corporations Act 2001*, including:

  (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date; and

  (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001; and

(b) the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 1(a).

Report on the Remuneration Report

We have audited the Remuneration Report included in the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's Opinion

In our opinion, the Remuneration Report of Aurora Oil & Gas Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

BDO Audit (WA) Pty Ltd

BDO

Peter Toll
Director

Signed in Perth, Western Australia

Dated this the 22nd day of September 2010.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2010

	Note	Consolidated	
		2010	2009
		$'000	$'000
Revenue from continuing operations	(4)	**509**	1,663
Other income	(5)	**16**	2,182
Total income		**525**	3,845
Production and operating expenses		**(329)**	(768)
Administrative expenses		**(1,512)**	(2,185)
Depreciation and amortisation expense		**(209)**	(4,942)
Employee benefits		**(84)**	(78)
Exploration, evaluation and development costs written off		**(833)**	(7,178)
Impairment of available for sale asset		**-**	(6,289)
Finance costs		**(96)**	(160)
Foreign exchange loss		**(20)**	-
Share-based payment expenses		**(180)**	(215)
Loss on disposal of project		**(281)**	-
Loss from continuing operations before income tax expense	(6)	**(3,019)**	(17,970)
Income tax expense	(7)	**-**	-
Net loss attributable to members of the Company		**(3,019)**	(17,970)

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

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2010

	Note	Consolidated **2010** **$'000**	 2009 $'000
Other comprehensive income			
Impairment of available for sale financial assets transferred to income statement		**-**	2,276
Changes in fair value on equity instruments measured at fair value through other comprehensive income	(16)	**(240)**	(500)
Foreign currency translation differences	(16)	**(1,039)**	-
Other comprehensive income for the year, net of tax		**(1,279)**	1,776
Total comprehensive income for the year attributable to members of the Company		**(4,298)**	(16,194)
Loss per share			
Basic loss per share (cents per share)	(21)	**(1.19)**	(8.9)
Diluted loss per share (cents per share)	(21)	**(1.19)**	(8.9)

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

Consolidated Statement of Financial Position

as at 30 June 2010

	Note	Consolidated 2010 $'000	2009 $'000
Current assets			
Cash and cash equivalents	(8)	**28,393**	10,873
Trade and other receivables	(9)	**378**	110
Total current assets		**28,771**	10,983
Non-current assets			
Other financial assets	(10)	**1,200**	1,440
Oil and gas properties	(11)	**25,291**	24,563
Total non-current assets		**26,491**	26,003
Total assets		**55,262**	36,986
Current liabilities			
Trade and other payables	(12)	**678**	709
Total current liabilities		**678**	709
Non-current liabilities			
Provisions	(13)	**-**	933
Borrowings	(14)	**-**	4,040
Total Non current liabilities		**-**	4,973
Total liabilities		**678**	5,682
Net assets		**54,584**	31,304
Equity			
Contributed equity	(15)	**90,036**	62,637
Share-based payment reserve	(16)	**3,547**	3,368
Fair value reserve	(16)	**(7,561)**	(1,032)
Foreign Exchange Reserve	(16)	**(1,039)**	-
Accumulated losses	(16)	**(30,399)**	(33,669)
Total equity		**54,584**	31,304

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

Consolidated Statement of Changes in Equity

for the year ended 30 June 2010

Consolidated

	Note	Contributed Equity $'000	Share Based Payment Reserve $'000	Foreign Currency Translation Reserve $'000	Fair Value Reserve $'000	Accumulated Losses $'000	Total $'000
Balance as at 1 July 2008		62,637	3,153	-	(2,808)	(15,699)	47,283
(Loss) for the year		-	-	-	-	(17,970)	(17,970)
Impairment of available-for-sale assets transferred to the income statement		-	-	-	2,276	-	2,276
Change in fair value of available-for-sale assets		-	-	-	(500)	-	(500)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	-	1,776	(17,970)	(16,194)
Transactions with owners, in their capacity as owners							
Options vested during the year		-	215	-	-	-	215
		-	215	-	-	-	215
Balance as at 30 June 2009 (as previously stated)		62,637	3,368	-	(1,032)	(33,669)	31,304
Transfer from accumulated losses to restate opening fair value reserves for the adoptions of AASB 9		-	-	-	(6,289)	6,289	-
Restated total equity as at 1 July 2009		62,637	3,368	-	(7,321)	(27,380)	31,304
(Loss) for the year		-	-	-	-	(3,019)	(3,019)
Exchange differences on translation of foreign operations		-	-	(1,039)	-	-	(1,039)
Change in fair value of equity instruments measured at fair value through other comprehensive income		-	-	-	(240)	-	(240)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive income for the year		-	-	(1,039)	(240)	(3,019)	(4,298)
Transactions with owners, in their capacity as owners							
Contributed equity net of transaction costs		27,399	-	-	-	-	27,399
Performance rights vested during the year		-	179	-	-	-	179
		27,399	179	-	-	-	27,578
Balance as at 30 June 2010		**90,036**	**3,547**	**(1,039)**	**(7,561)**	**(30,399)**	**54,584**

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

Consolidated Statement of Cash Flows

for the year ended 30 June 2010

	Note	Consolidated 2010 $'000	Consolidated 2009 $'000
Cash flows from operating activities			
Receipts from oil & gas sales		**340**	1,224
Payments to suppliers and employees		**(2,681)**	(3,226)
Net cash outflow from operating activities	(20)	**(2,341)**	(2,002)
Cash flows from investing activities			
Payments for capitalised oil & gas assets		**(4,164)**	(7,206)
Interest received		**205**	488
Net cash outflow from investing activities		**(3,959)**	(6,718)
Cash flows from financing activities			
Proceeds from issues of shares		**28,875**	-
Share issue costs		**(1,300)**	-
Loan – proceeds and (repayments)		**(3,639)**	4,040
Borrowing costs		**(96)**	(139)
Net cash inflow from financing activities		**23,840**	3,901
Net increase / (decrease) in cash and cash equivalents		**17,540**	(4,819)
Cash and cash equivalents at the beginning of the financial year		**10,873**	13,533
Effect of exchange rates on cash holdings in foreign currencies		**(20)**	2,159
Cash and cash equivalents at the end of the financial year	(8)	**28,393**	10,873

Unused credit facilities

As at balance date the Consolidated Entity had no outstanding credit facilities.

During the year ended 30 June 2010, the Group cancelled the US$10 million loan facility with BOS International (BOSI) that was established for the development of gas reserves at the Flour Bluff Field, Texas. The Group's continued focus on the significant gas and condensate discovery at Sugarkane, also located in Texas, resulted in a lower priority of allocation of capital to Flour Bluff and the subsequent sale of all the WI associated with the existing infrastructure at Flour Bluff (note: the Group retained a 20% WI in approximately 1,400 acres that remains for exploration). The Board therefore determined that these circumstances no longer justified the continued payment of costs associated with carrying the BOSI facility and accordingly the loan has been repaid from cash reserves.

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

Notes to the Financial Statements

for the year ended 30 June 2010

1. Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been applied consistently to all the years presented, unless otherwise stated. The financial statements consist of consolidated financial statements for Aurora Oil & Gas Limited and its subsidiaries ("Group" or "Consolidated Entity").

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with International Financial Reporting Standards

The consolidated financial statements comply with Australian Accounting Standards, which include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements of Aurora Oil & Gas Limited comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Early adoption of standards

AASB 9 Financial instruments

The Company has early adopted AASB 9 Financial Instruments, with effect 1 July 2009, as the Directors believe the revised accounting policy for fair value adjustments to these investments more reliably presents the financial position of the Group. AASB 9 allows, and the Group has made, an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. No further impairment of the available for sale asset will be recognised.

AASB 9 does not require Companies that adopt the Standard for reporting period beginning before 1 January 2012 to restate prior periods, however, the opening retained earnings are restated to recognise the effects of the adoption of AASB 9 on prior periods. The financial effect of this has been to decrease the opening retained losses at 1 July 2009 by $6,289,000 and decrease reserves. This change in accounting policy was therefore applied prospectively and has not had a material impact on prior period earnings per share.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets.

Critical accounting estimates and significant judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

Financial statement presentation

The Group has applied the revised AASB 101 Presentation of Financial Statements, which became effective as of 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on loss per share.

Notes to the Financial Statements
for the year ended 30 June 2010

1. Summary of significant accounting policies (cont'd)

(b) Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of Aurora Oil & Gas Limited and its subsidiaries as at 30 June 2010 and the financial performance of the Company and its subsidiaries for the year then ended.

Subsidiaries are all those entities (including special purpose entities) over which the group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Company controls another entity.

Subsidiaries are consolidated from the date on which control is transferred to the Company. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Group.

Intercompany transactions, balances and unrealised gains on transaction between Group entities are eliminated. Unrealised losses are eliminated unless the transaction provides evidence of the impairment of the assets transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Consolidated Entity.

Investments in subsidiaries are accounted for at cost in the individual financial statements of the Company.

(ii) Joint ventures

The Group's proportionate interests in the assets, liabilities and expenses of a joint venture activity have been incorporated in the financial statements under the appropriate headings. Details of joint ventures are set out in note 22.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of Directors.

Change in accounting policy

The Group has adopted AASB 8 Operating Segments from 1 July 2009. AASB 8 replaces AASB 114 Segment Reporting. AASB 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. In addition, the segments are reported in a manner that is consistent with the internal reporting provided to the chief operating decision makers.

The Board of Directors review internal management reports on a monthly basis that is 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 Board to make strategic decisions.

Management has determined, based on the reports reviewed by the Board of Directors and used to make strategic decisions, that the Group has one reportable segment being oil & gas exploration and production in the United States of America. The Group's management and administration office is located in Australia. There has been no other impact on the measurement of the company's assets and liabilities. Comparative information has been restated.

(d) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of the Group are measured using the currency of the primary economic environment in which the Group operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is Aurora's functional and presentation currency.

The functional currency of US subsidiaries has changed. As from 1 July 2009 the functional currency was changed to USD, primarily because the trend in the source currency of the majority of the costs of the US subsidiaries from AUD to USD, was not considered temporary. Cash receipts from the US operations, which comprises 100% of revenue from continuing operations, is received in USD. The majority of US subsidiaries payments, including operating expenses and income tax, are also payable in USD.

The change was implemented by translating the assets and liabilities of the US subsidiaries at spot rates at the date of the change and application of accounting for subsidiaries with a different functional currency being applied prospectively.

(ii) Translation and balances

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign currency monetary assets and liabilities at the reporting date are translated at the exchange rate existing at reporting date.

Exchange differences are recognised in profit or loss in the period in which they arise.

(iii) Group companies

The results and financial position of all the Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position,
- income and expense for each statement of comprehensive income are translated at average exchange rates', and
- exchange differences arising on translation of intercompany payables and/or receivables of foreign operations, in a currency that is not the same as the parent's functional currency, are recognised in the foreign currency translation reserve, as a separate component of equity. These differences are only recognised in the profit or loss upon disposal of the foreign operations.

1. Summary of significant accounting policies (cont'd)

(e) Revenue recognition

(i) Oil and Gas Sales

Revenue from the sale of hydrocarbons is recognised when the Consolidated Entity has transferred to the buyer the significant risks and rewards of ownership of the goods. Generally this will occur when the hydrocarbons are transferred into a third party's "sales pipeline".

(ii) Other revenue

Dividend revenue is recognised on a receivable basis. Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial asset.

(iii) Service income

Revenue from the provision of services is recognised when the Consolidated Entity has a legally enforceable right to receive payment for services rendered.

(f) Income tax

The income tax expense/(benefit) for the period is the tax payable on the current period's taxable income/(loss) based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred income tax 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. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. 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 assets is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Current and deferred tax balances attributable to amounts recognised directly in other comprehensive income / equity are also recognised directly in other comprehensive income / equity.

(g) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill, which have been previously impaired, are reviewed for possible reversal of the impairment at each reporting date.

(h) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less.

(i) Financial assets

Classification

The Group classifies its financial assets in the following categories: 'available-for-sale' financial assets, and 'loans and receivables'. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest rate method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

(ii) Financial assets at fair value through other comprehensive income

At initial recognition the Group may make an irrevocable election (on an instrument-by-instrument basis) to recognise the change in fair value of investments in equity instruments in other comprehensive income. This election is permitted for equity instruments that are not held for trading purposes.

These instruments are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented within equity in the fair value reserve. When an instrument is derecognised, the cumulative gain or loss is transferred directly to retained earnings and is not recognised in profit or loss.

Dividends or other distributions received from these investments are still recognised in profit or loss as part of finance income.

Change in accounting policy

The Group early adopted AASB 9 Financial Instruments for the first time from 7 December 2009, being the earliest date it was available for adoption in Australia.

AASB 9 specifies the basis for classifying and measuring financial assets. Classification is determined based on the Group's business model and the contractual cash flow characteristics of the financial assets. Financial assets will be classified as either amortised cost or fair value. AASB 9 replaces the classification and measurement requirements relating to financial assets in AASB 139 Financial Instruments: Recognition and measurement (AASB 139).

1. Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

A financial asset is measured at amortised cost if the following conditions are met:

- the objective of the Group's business model in relation to those instruments is to hold the asset to collect the contractual cash flows; and
- the contractual cash flows give rise, on specific dates, to cash flows that are solely payments of principal and interest on the principal outstanding.

If these criteria are not met then the financial asset must be classified as fair value through profit and loss except as discussed below. Alternatively, similar to the requirements in AASB 139, the Group may irrevocably elect at inception to classify a financial asset as fair value through profit or loss to reduce an accounting mismatch.

Amortised cost is still measured using the effective interest rate method and amortised cost assets must be assessed for impairment losses. There are no changes to the measurement method for fair value through profit or loss requirements in AASB 139.

Under AASB 9 only equity instruments that are not held for trading are able to be classified as fair value through other comprehensive income rather than fair value through profit or loss. On disposal, in contrast to AASB 139, the cumulative gains or losses recognised in equity over the period the Group held the equity instrument are transferred directly to retained earnings and are not permitted to be recognised in profit or loss. Equity instruments fair valued through other comprehensive income are no longer required to be assessed for impairment.

The change in accounting policy was applied retrospectively only to those financial assets that the Group held at the date of initial application of AASB 9 (7 December 2009) or acquired subsequent to that date. Financial instruments disposed of prior to 7 December 2009 were accounted for under AASB 139. In accordance with the transitional provisions of AASB 9, the classification of financial assets that the Group held at the date of initial application was determined based on conditions that existed at that date.

The Group has determined that it is impracticable to apply the effective interest rate method retrospectively to those instruments that are now required to be carried at amortised cost. In accordance with the traditional provision in AASB 9, the Group has assumed that the fair value of the financial assets at the end of each comparative period is its amortised cost, and the effective interest method will be applied prospectively from the date of initial application.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost less impairment using the effective interest method.

Details on how the fair value of financial instruments is determined are disclosed in note 2(a)(iv).

Impairment

The Group assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the profit or loss.

(j) Property, plant and equipment (other than oil & gas properties)

Property, plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is provided on property, plant and equipment. Depreciation is calculated on a straight line basis so as to write down the net cost or fair value of each asset over its expected useful life to its estimated residual value.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

The following estimated useful lives are used in the calculation of depreciation:

Fixtures and fittings	5 years
Plant and equipment	5 - 15 years

(k) Non-operator interests in oil & gas properties

Exploration & evaluation expenditure

The Group's accounting policy for the cost of exploring and of evaluating discoveries is based on the successful efforts method of accounting.

This approach is strongly linked to the Company's oil and gas reserves determination and reporting process and is considered to most fairly reflect the results of the Company's exploration and evaluation activity because only assets with demonstrable value are carried on the balance sheet.

Once a well commences producing commercial quantities of oil and gas, capitalised exploration and evaluation costs are transferred to Oil & Gas Properties – Producing Projects and amortisation commences.

This method allows the costs associated with the acquisition, exploration and evaluation of a prospect to be aggregated on the balance sheet and matched against the benefits derived from commercial production once this commences.

1. Summary of significant accounting policies (cont'd)

(k) Non-operator interests in oil & gas properties (cont'd)

Costs

Exploration and evaluation expenditure is accounted for in accordance with the area of interest method. Exploration lease acquisition costs relating to greenfield oil and gas exploration provinces are expensed as incurred while the costs incurred in relation to established or recognised oil and gas exploration provinces are initially capitalised and then amortised over the shorter term of the lease or the expected life of the project.

All other exploration and evaluation costs, including general permit activity, geological and geophysical costs and new venture activity costs are charged as expenses as incurred except where:

- the expenditure relates to an area of interest that, at balance date, no assessment of the existence or otherwise of economically recoverable reserves has been made; or
- where there exists an economically recoverable reserve, and it is expected that the capitalised expenditure will be recouped through successful exploitation of the area of interest, or alternatively, by its sale.

Areas of Interest are recognised at field level. Subsequent to the recognition of an area of interest, all further costs relating to the area of interest are initially capitalised. Each area of interest is reviewed at least bi-annually to determine whether economic quantities of reserves exist or whether further exploration and evaluation work is required to support the continued carry forward of capitalised costs. To the extent it is considered that the relevant expenditure will not be recovered, it is written off.

The costs of drilling exploration wells are initially capitalised pending the results of the well. Costs are expensed where the well does not result in the successful discovery of economically recoverable hydrocarbons. To the extent that it is considered that the relevant expenditure will not be recovered, it is immediately expensed.

Transfer of capitalised exploration and evaluation expenditure to producing projects (oil and gas properties)

When a well comes into commercial production, accumulated exploration and evaluation expenditure for the relevant area of interest is transferred to producing projects and amortised on a units of production basis.

Prepaid drilling and completion costs

Where the Company has a non-operator interest in an oil or gas property, it may periodically be required to make a cash contribution for its share of the operator's drilling and/or completion costs, in advance of these operations taking place.

Where these contributions relate to a prepayment for exploratory or early stage drilling activity, prior to a decision on the commerciality of a well having been made, the costs are capitalised as prepaid drilling costs within Exploration and Evaluation and/or Development Projects.

Where these contributions relate to a prepayment for well completion, these costs are capitalised as prepaid completion costs within exploration and evaluation.

As the operator notifies the Company as to how funds have been expended, the costs are reclassified from prepaid costs to the appropriate expenditure category.

Amortisation and depreciation of producing projects

The Consolidated Entity uses the "units of production" ("UOP") approach when amortising and depreciating field-specific assets. Using this method of amortisation and depreciation requires the Consolidated Entity to compare the actual volume of production to the reserves and then to apply the rate of depletion to the carrying value of depreciable asset.

Capitalised exploration and evaluation costs relating to commercially producing wells are depreciated/amortised using the UOP basis once commercial quantities are being produced within an area of interest. The reserves used in these calculations are reviewed at least annually.

Future restoration costs

The Consolidated Entity's aim is to avoid or minimise environmental impact resulting from its operations.

Provision is made in the balance sheet for restoration of operating locations. The estimated costs are capitalised as part of the cost of the related project where recognition occurs upon acquisition of an interest in the operating locations. The costs are then recognised as an expense on a unit of production basis during the production phase of the project.

Work scope and cost estimates for restoration are reviewed annually and adjusted to reflect the expected cost of restoration.

Restoration costs are based on the latest estimated future costs, determined on a discounted basis, which are re-assessed regularly and exclude any allowance for potential changes in technology or material changes in legislative requirements.

The Group accounts for changes in cost estimates on a prospective basis.

(l) Trade and other payables

Trade payables and other accounts payable are recognised when the Consolidated Entity becomes obliged to make future payments resulting from the purchase of goods and services. They are initially recognised at fair value and subsequently at amortised cost using the effective interest rate method.

(m) Employee benefits

Provision is made for benefits accruing to employees in respect of employee entitlements when it is probable that settlement will be required and these benefits can be measured reliably.

Provisions made in respect of employee benefits expected to be settled within 12 months are measured at their nominal values using the remuneration rate expected to apply at the time of settlement.

Provisions made in respect of employee entitlements which are not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made by the consolidated entity in respect of services provided by employees up to reporting date.

Notes to the Financial Statements

for the year ended 30 June 2010

1. Summary of significant accounting policies (cont'd)

(n) Provisions

Provisions are recognised when the Consolidated Entity has a present obligation as a result of a past event, the future sacrifice of economic benefits is probable, and the amount of the provision can be reliably estimated.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

An onerous contract is considered to exist where the Consolidated Entity has a contract under which the unavoidable cost of meeting the contractual obligations exceed the economic benefits estimated to be received. Present obligations arising under onerous contracts are recognised as a provision to the extent that the present obligation exceeds the economic benefits estimated to be received.

(o) Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Borrowings are classified as current liabilities unless the Consolidated Entity has an unconditional right to deferred settlement for at least 12 months after the reporting date. Costs incurred in establishing borrowings are expensed immediately.

(p) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares or options for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the Company reacquires its own equity instruments, e.g. as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in the profit or loss and the consideration paid, including any directly attributable incremental costs (net of income taxes), is recognised directly in equity.

(q) Borrowing costs

Borrowing costs are expensed in the period in which they are incurred, except to the extent to which they are directly attributable to the acquisition, construction or production of a qualifying asset and it is probable that they will result in future economic benefits to the entity and the costs can be measured reliably.

(r) Good and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except:

- where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables. Cash flows are included in the cash flow statement on a gross basis. The GST component of cash flows arising from investing and financing activities which is recoverable from, or payable to, the taxation authority is classified as operating cash flows.

(s) Earnings per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit (or loss) attributable to equity holders of the company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed to have been issued for no consideration in relation to dilutive potential ordinary shares.

(t) Share-based payments

The Group provides benefits to its employees and consultants (including key management personnel) in the form of share-based payments, whereby services are rendered partly or wholly in exchange for shares or rights over shares. These benefits are awarded at the discretion of the board, or following approval by shareholders (equity-settled transactions).

The costs of these equity-settled transactions are measured by reference to the fair value of the equity instruments at the date on which they are granted. The fair value is determined using a risked statistical analysis, further details of which are disclosed in note 18.

The costs of these equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and / or service conditions are fulfilled (the vesting period), ending on the date on which the relevant employees become fully entitled to the equity instrument (vesting date).

At each subsequent reporting date until vesting, the cumulative charge to the income statement is the product of (i) the fair value at grant date of the award; (ii) the current best estimate of the number of equity instruments that will vest, taking into account such factors as the likelihood of employee turnover during the vesting period and the likelihood of non-market performance conditions being met and (iii) the expired portion of the vesting period.

Notes to the Financial Statements
for the year ended 30 June 2010

1. Summary of significant accounting policies (cont'd)

(t) Share-based payments (cont'd)

The charge to the income statement for the period is the cumulative amount as calculated above less the amounts already charged in previous periods. There is a corresponding credit to equity.

Until an equity instrument has vested, any amounts recorded are contingent and will be adjusted if more or fewer equity instruments vest than were originally anticipated to do so. Any equity instrument subject to a market condition is considered to vest irrespective of whether or not that market condition is fulfilled, provided that all other conditions are satisfied.

If the terms of an equity-settled award are modified, as a minimum, an expense is recognised as if the terms had not been modified. An additional expense is recognised for any modification that increases the total fair value of the share based payment arrangement, or is otherwise beneficial to the recipient of the award, as measured at the date of modification.

If an equity-settled transaction is cancelled (other than a grant cancelled by forfeiture when the vesting conditions are not satisfied), it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. However, if a new equity instrument is substituted for the cancelled award and designated as a replacement award on the date that it is granted, the cancelled and new equity instrument are treated as if they were a modification of the original award, as described in the preceding paragraph.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share (see note 21).

(u) Rounding of amounts

The Company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with the Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(v) New accounting standards and interpretations

The Group has chosen not to early-adopt any accounting standards that have been issued, but are not yet effective. Set out below is a summary of issued accounting standards, relevant to the Consolidated Entity, which are not yet effective and a description of their expected effect on the Group's financial statements(if any).

AASB 2009-5 Amendments to Australian Accounting Standards – Presentation of Financial Statements
[AASB 101] (effective 1 January 2010)

In May 2009 the AASB issued an amendment to AASB 101 Presentation of Financial Statements, which clarifies that terms of a liability that could, at the option of the counterparty, result in the liability being settled by the issue of equity instruments, do not affect its classification. This means that unless the terms of such liabilities require a transfer of cash or other assets within 12 months, they do not necessarily have to be classified as current liabilities. Initial adoption of this amendment will have no impact as the consolidated entity does not have any current liabilities where the counterparty has the option to have the liabilities settled by the issue of equity instruments.

AASB 2009-5 Amendments to Australian Accounting Standards – Statement of Cash Flows
[AASB 107] (effective 1 January 2010)

In May 2009 the AASB issued an amendment to AASB 107 Statement of Cash Flows, which clarifies that only expenditures that result in a recognised asset in the statement of financial position are eligible for classification as cash flows from investing activities. Initial adoption of this amendment will have no impact as the entity only recognises cash flows from investing activities for expenditures that result in a recognised asset in the statement of financial position.

AASB 2009-5 Amendments to Australian Accounting Standards – Impairment of Assets
[AASB 136] (effective 1 January 2010)

In May 2009 the AASB issued an amendment to AASB 136 Impairment of Assets, which clarifies that CGUs to which goodwill is allocated cannot be larger than an operating segment as defined in AASB 8 Operating Segments before aggregation. There will be no impact as these requirements are only required to be applied prospectively to goodwill impairment calculations for periods commencing on or after 1 July 2010.

AASB 2010-3 Amendments to Australian Accounting Standards – Business Combinations
[AASB 3] (effective 1 July 2010)

In June 2010 the AASB issued an amendment to AASB 3 Business Combinations, which Confirms that any balances of contingent consideration that relate to acquisitions under the superseded AASB 3 must be accounted for under the superseded standard, i.e. not via profit or loss. There will be no impact on initial adoption as adjustments to contingent consideration on acquisitions prior to 1 July 2009 have been accounted for in accordance with the superseded AASB 3.

AASB 2010-4 Amendments to Australian Accounting Standards – Financial Instruments: Disclosures
[AASB 7] (effective 1 January 2011)

In June 2010 the AASB issued an amendment to AASB 7 Financial Instruments: Disclosures, which deletes various disclosures relating to credit risk, renegotiated loans and receivables and the fair value of collateral held. There will be no impact on initial adoption to amounts recognised in the financial statement as the amendments result in fewer disclosures only.

AASB 2010-4 Amendments to Australian Accounting Standards – Presentation of Financial Statements
[AASB 101] (effective 1 January 2011)

In June 2010 the AASB issued an amendment to AASB 101 Presentation of Financial Statements, which allows that a detailed reconciliation of each item of other comprehensive income may be included in the statement of changes in equity or in the notes to the financial statements. There will be no impact on initial adoption of this amendment as a detailed reconciliation of each item of other comprehensive income has always been included in the statement of changes in equity.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-Settled Share-based Payment Transactions [AASB 2] (effective from 1 January 2010)

The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity or cash-settled transaction. The group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. There will be no impact on the group's financial statements.

1. Summary of significant accounting policies (cont'd)

(v) New accounting standards and interpretations (cont'd)

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues [AASB 132] (effective from 1 February 2010)

In October 2009 the AASB issued an amendment to AASB 132 Financial Instruments: Presentation, which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors. The group will apply the amended standard from 1 July 2010. As the performance rights issue made by the group is denominated in the groups functional currency (AUD), the amendment will not have any effect on the group's financial statements.

Revised AASB 124 Related Party Disclosures and AASB 2009-12 Amendments to Australian Accounting Standards (effective from 1 January 2011)

In December 2009 the AASB issued a revised AASB 124 Related Party Disclosures. It is effective for accounting periods beginning on or after 1 January 2011 and must be applied retrospectively. The amendment removes the requirement for government-related entities to disclose details of all transactions with the government and other government-related entities and clarifies and simplifies the definition of a related party. The group will apply the amended standards from 1 July 2011. When the amendments are applied, the group and the parent will need to disclose any transaction between its subsidiaries. However, it has yet to put systems in place to capture the necessary information. It is therefore not possible to disclose the financial impact, if any, of the amendment to the related party disclosures.

AASB Interpretation 19 Extinguishing financial liabilities with equity instruments and AASB 2009-13 Amendments to Australian Accounting Standards arising from Interpretation 19 (effective from 1 July 2010)

AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the results that the liability is extinguished by the debtor issuing its own equity instrument to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the group has not entered into any debt for equity swaps since that date.

2. Critical accounting estimates & judgements

In preparing these financial statements the Group has been required to make certain estimates and assumptions concerning future occurrences. There is an inherent risk that the resulting accounting estimates will not equate exactly with actual events and results.

(a) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

(i) Functional currency of US-based subsidiary operations

The functional currency of US subsidiaries has changed. As from 1 July 2009 the functional currency was changed to USD, primarily because the trend in the source currency of the majority of US subsidiaries costs, from AUD to USD, was not considered temporary. Cash receipts from the US operations, which comprises 100% of revenue from continuing operations, is received in USD. The majority of US subsidiaries payments, including operating expenses and income tax, are also payable in USD.

(ii) Exploration and evaluation expenditure (Oil & Gas Properties)

The Group has capitalised significant exploration and evaluation expenditure on the basis either that this is expected to be recouped through future successful development (or alternatively sale) of the Areas of Interest concerned or on the basis that it is not yet possible to assess whether it will be recouped. Although a small amount of production revenue was received during the year ended 30 June 2010, exploration and evaluation expenditure as at balance date had not reached a stage, which would have enabled an independent assessment of economically recoverable reserves to have been made. As a result, the Directors deem that it is appropriate to continue to classify Aurora's Oil and Gas Properties as exploration and evaluation assets under AASB 6 Exploration for and evaluation of mineral resources as at 30 June 2010.

Subsequent to year-end, as disclosed more fully elsewhere in this report, Aurora announced the findings of an independent reserves report conducted by Netherland Sewell and Associates, Inc. in respect of the Group's interest in the Sugarloaf project. It is therefore expected that for the 2011 financial year, capitalised exploration and evaluation expenditure relating to the Group's interest in the Sugarloaf project will be classified as a production asset and costs will be amortised in line with the exploitation of associated reserves. As at 30 June 2010 the carrying amount of Oil & Gas Properties is $25,290,579 (2009: $24,562,716).

(iii) Deferred tax assets

The Consolidated Entity has carried forward tax losses which have not been recognised as deferred tax assets as it is not considered sufficiently probable that these losses will be recouped by means of future profits taxable in the appropriate jurisdictions.

In addition, the Consolidated Entity's interests in jointly controlled oil & gas operations are held through the Company's wholly-owned US entities (note 19 (b)). Taxation of oil & gas activities in the US allows a number of alternative treatments which are not available under Australian taxation legislation. In particular, companies may elect to:

- claim an immediate deduction for Intangible Drilling Costs ("IDC"); and
- must use either the cost or percentage depletion method, whichever yields the largest tax deduction, when calculating applicable tax deductions in relation to the entities economic interest in its oil and gas properties.

2. Critical accounting estimates & judgements (cont'd)

(a) Significant accounting judgements (cont'd)

The election to expense IDC applies to all expenditures incident to and necessary for the drilling of wells and the preparation of wells for the production of oil or gas. Once the election to expense IDC is made, the election is binding upon the taxpayer for the first taxable year for which it is effective and for all subsequent taxable years.

At balance date a determination had not been made as to whether the cost or percentage depletion method would apply for the current years US income tax calculation. The directors have not recognised or disclosed a deferred tax asset or liability in respect of this potential difference in the tax base of these properties as they do not believe it is capable of being reliably estimated at balance date.

(iv) Financial assets are fair value through other comprehensive income

The group holds an investment in shares classified as financial assets at fair value through other comprehensive income (classified as available for sale in 2009). As the Group has early adopted AASB 9 Financial Instruments, with effect from the half-year period ending on 31 December 2009, the Group has made, an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. No further impairment of the financial assets at fair value through other comprehensive income will be recognised.

(b) 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 using a risked statistical analysis, using the assumptions detailed in note 18.

Rehabilitation and decommissioning obligations

The liability for future removal and remediation costs of oil and gas production facilities, wells and pipelines at the time of acquisition or installation of the assets remains with the operator. As at 30 June 2010 rehabilitation obligations have a carrying value of Nil (2009: $933,000).

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 income statement. 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 income statement when production ceases.

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. As at 30 June 2010, the carrying value of Oil & Gas Properties is $25,290,579 (2009: $24,562,716).

3. Segment information

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

The Board of Directors review 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 Board to make strategic decisions.

	2010	2009
	$'000	$'000
Revenue from external sources	**321**	3,408
Reportable segments (loss)	**(1,691)**	(16,222)
Reportable segments assets	**25,561**	24,660
Reconciliation of reportable segment profit or loss		
Reportable segment (loss)	**(1,691)**	(16,222)
Unallocated:		
Other income	**204**	437
Corporate expenses	**(1,532)**	(2,185)
Profit before tax	**(3,019)**	(17,970)

Notes to the Financial Statements

for the year ended 30 June 2010

4. Revenue

	Consolidated 2010 $'000	2009 $'000
Continuing operations		
Sales revenue		
Oil and gas sales	**306**	1,224
Other revenue		
Interest	**203**	439
	509	1,663

5. Other income

	Note	Consolidated 2010 $'000	2009 $'000
Net foreign exchange gains		**-**	2,178
Profit on sale of project	*(i)*	**15**	-
Other income		**1**	4
		16	2,182

(i) During the year the Consolidated Entity realised a profit of $15,491 on disposal of its interests in the West Black Lake gas field.

6. Expenses

Loss before income tax is arrived at after deducting the following expenses:

		Consolidated	
	Note	**2010**	2009
		$'000	$'000
Amortisation of oil & gas properties	*(i)*	**209**	4,943
Exploration, evaluation and development costs written off	*(ii)*	**833**	7,178
Borrowing costs	*(iii)*	**96**	160
Share-based payment expense	*(iv)*	**180**	215
Loss on disposal of project	*(v)*	**281**	-

(i) Amortisation for the year was calculated based on estimated remaining proven producing reserves. For the comparative year ended 30 June 2009, the calculation was also performed based on estimated remaining proven producing reserves, whereas in periods prior to 30 June 2009 it was based on estimated total remaining proven reserves. The effect of this change in estimate was to increase amortisation charged by $4,312,000 in the comparative year.

(ii) During the year ended 30 June 2010 management reviewed the carrying value of the Group's oil and gas properties for indicators of impairment and expensed an amount of $54,814 in relation to its remaining interests in the Flour Bluff gas field. For the comparative year ended 30 June 2009 impairment expense of $6,993,274 was recognised for the Group's interests in the Sugarloaf oil and gas properties.

(iii) Borrowing costs were incurred by the Group in connection with the BOS International borrowing facility repaid during the year ended 30 June 2010.

(iv) On the 19 February 2010 the Group issued performance rights to key management personal. As at 30 June 2010 vested performance right expense of $133,178 (2009: Nil) and vested options expense of $46,329 (2009: $214,995) was recognised. All options on issue were fully vested at 30 June 2010.

(v) During the year ended 30 June 2010 the Consolidated Entity realised a loss of $281,298 on disposal of the majority of its interests in the Flour Bluff gas field.

Notes to the Financial Statements

for the year ended 30 June 2010

7. Income tax

(a) Income tax charge

	Consolidated 2010 $'000	2009 $'000
Current tax	-	-
Deferred tax	-	-
	-	-

A reconciliation between tax expense and prima facie tax payable is as follows:

	2010	2009
Accounting loss before tax	**(3,019)**	(17,970)
Tax at the Australian statutory income tax rate of 30% (2009: 30%)	**(906)**	(5,391)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income		
Add tax effect of:		
Share-based payment expense	**54**	64
Revenue losses not recognised	**821**	5,866
Overseas revenue losses not recognised	**144**	53
Less tax effect of:		
Revenue gains not recognised	**-**	(502)
Other	**(113)**	(90)
Income tax (benefit) / expense	**-**	-

(b) Deferred tax liabilities

	Consolidated 2010 $'000	2009 $'000
Arising from temporary differences attributable to:		
Available-for-sale financial assets	**(92)**	(473)
Oil & gas properties	**(7,587)**	(7,369)
Other	**(1)**	(1)
Total deferred tax liabilities	**(7,680)**	(7,843)
Less set off of deferred tax assets under set-off provisions (c)	**7,680**	7,843
Amounts recognised in equity	**-**	-

	Consolidated	
	2010	2009
	$'000	$'000
(c) Deferred Tax Assets		
Arising from temporary differences attributable to:		
Tax losses [(1)]	**9,037**	8,340
Other	**22**	291
Share issue expenses	**115**	175
Total deferred tax assets	**9,174**	8,806
Less set off of deferred tax liabilities under set-off provisions (b)	**(7,680)**	(7,843)
	1,494	963
Deferred tax assets not brought to account	**(1,494)**	(963)
	-	-

[(1)] The deferred tax assets arising from accumulated tax losses for US taxpaying entities have been calculated at the marginal tax rate of 30%.

8. Cash and cash equivalents

	Consolidated	
	2010	2009
	$'000	$'000
Cash at bank and in hand	**28,163**	766
Deposits at call	**230**	10,107
	28,393	10,873

(a) Cash at bank and on hand

Funds held at bank bear interest at market rate (floating), the Group's exposure to interest rate risk is discussed in Note 26.

(b) Deposit at call

The deposits bear interest at 3.27% floating rate (2009: 2.3%).

(c) Interest rate risk exposure

The Group's exposure to interest rate risk is discussed in note 26.

Notes to the Financial Statements

for the year ended 30 June 2010

9. Trade and other receivables

	Consolidated	
	2010	2009
	$'000	$'000
Trade receivables	**378**	110

(a) Impaired trade receivables

No Group trade receivables were past due or impaired as at 30 June 2010 (2009: nil) and there is no indication that amounts recognised as trade and other receivables will not be recovered in the normal course of business.

10. Other financial assets

	Consolidated	
	2010	2009
	$'000	$'000
Non-current		
Financial assets at fair value through other comprehensive income	**1,200**	1,440

As at 30 June 2010, Aurora held 24,000,000 fully paid ordinary shares in Elixir Petroleum Ltd, representing approximately 12.70% of its total issued capital. The market value of these securities at 30 June 2010 was $1,200,000 (2009: $1,440,000).

Included in the statement of comprehensive income is $240,000 (2009: $500,000) which represents the decline in the fair value of the available-for-sale assets.

11. Oil & gas properties

	Consolidated	
	2010	2009
	$'000	$'000
Producing projects		
At cost	**-**	13,165
Accumulated amortisation	**-**	(11,155)
Net carrying value	**-**	2,010
Exploration & evaluation projects		
At cost	**25,291**	29,550
Written off	**-**	(6,997)
Net carrying value	**25,291**	22,553
Total	**25,291**	24,563

A reconciliation of movements in Oil & Gas Properties during the year is as follows:

	Tangible Costs $'000	Intangible Costs $'000	Prepaid Drilling, Completion and Lease Acquisition Costs $'000	Total $'000
Producing projects				
2010				
Cost				
At 1 July 2009	2,365	9,867	-	12,232
Additions	5	11	-	16
Disposals	(2,370)	(9,748)	-	(12,118)
Impairment	-	(55)	-	(55)
Transfer to Exploration Projects	-	(67)		(67)
Foreign exchange movement	-	(8)	-	(8)
At 30 June 2010	-	-	-	-
Provision for future restoration costs				
At 1 July 2009	186	747	-	933
Disposals	(186)	(747)	-	(933)
At 30 June 2010	-	-	-	-
Accumulated amortisation				
At 1 July 2009	(2,230)	(8,925)	-	(11,155)
Charge for the Year	(108)	(101)	-	(209)
Disposals	2,348	9,036	-	11,384
Foreign exchange movement	(10)	(10)	-	(20)
At 30 June 2010	-	-	-	-
Net carrying value				
At 1 July 2009	321	1,689	-	2,010
At 30 June 2010	**-**	**-**	**-**	**-**
2009				
Cost				
At 1 July 2008	2,294	9,716	-	12,010
Additions	71	151	-	222
At 30 June 2009	2,365	9,867	-	12,232
Provision for future restoration costs				
At 1 July 2008	186	747	-	933
At 30 June 2009	186	747	-	933
Accumulated amortisation				
At 1 July 2008	(2,108)	(4,105)	-	(6,213)
Charge for the Year	(122)	(4,820)	-	(4,942)
At 30 June 2009	(2,230)	(8,925)	-	(11,155)
Net carrying value				
At 1 July 2008	372	6,358	-	6,730
At 30 June 2009	**321**	**1,689**	**-**	2,010

Notes to the Financial Statements

for the year ended 30 June 2010

11. Oil and gas properties (cont'd)

	Tangible Costs	Intangible Costs	Prepaid Drilling, Completion and Lease Acquisition Costs	Total
	$'000	$'000	$'000	$'000
Exploration & evaluation projects				
2010				
Cost				
At 1 July 2009	966	20,956	631	22,553
Additions	2	2,795		2,797
Net movement in prepaid costs	-	-	1,351	1,351
Transfer from Producing Projects	-	67	-	67
Foreign exchange movement	(73)	(1,366)	(38)	(1,477)
At 30 June 2010	**895**	**22,452**	**1,944**	**25,291**
2009				
Cost				
At 1 July 2008	1,075	17,639	3,572	22,286
Additions	1,111	9,094	-	10,205
Written off	(1,220)	(5,777)	-	(6,997)
Net movement in prepaid costs	-	-	(2,941)	(2,941)
At 30 June 2009	**966**	**20,956**	**631**	**22,553**

The ultimate recoupment of exploration expenditure carried forward is dependent on successful development and exploitation, or alternatively sale, of the respective area of interest.

12. Trade and other payables

	Consolidated	
	2010	2009
	$'000	$'000
Trade payables	**678**	709

Trade and other payable are normally settled within 30 days. Information about the Group's exposure to foreign exchange risk on financial instruments is provided in note 26. All amounts recognised as trade and other payable are expected to be settled within the next 12 months.

13. Provisions

	Consolidated	
	2010	2009
	$'000	$'000
Provision for restoration	**-**	933

The Group's policy with regard to providing for its share of future restoration costs for jointly controlled assets is documented in Notes 2(b) and 1(n). The provision for restoration related to producing projects disposed of during the year ended 30 June 2010 and was therefore written off to nil.

14. Borrowings

	Consolidated	
	2010	2009
	$'000	$'000
Long-term loan	**-**	4,040

As at balance date the Consolidated Entity had no outstanding credit facilities.

During the year ended 30 June 2010 the Group cancelled the US$10 million loan facility with BOS International (BOSI) that was established for the development of gas reserves at the Flour Bluff Field, Texas. The Group's continued focus on the significant gas and condensate discovery at Sugarkane, also located in Texas, has resulted in a lower priority of allocation of capital to Flour Bluff. The Board therefore determined that these circumstances no longer justified the continued payment of costs associated with carrying the BOSI facility and accordingly the loan has been repaid from cash reserves.

15. Contributed capital

	2010	2009	**2010**	2009
	Shares	Shares	**$'000**	$'000
Share capital				
Ordinary shares	**253,583,676**	202,474,962	**90,036**	62,637

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Company in proportion to the number of shares held. On a show of hands every holder of ordinary shares present at a meeting or by proxy, is entitled to one vote. Upon a poll every holder is entitled to one vote per share held.

15. Contributed capital (cont'd)

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

	Date	Number of shares	Issue Price	$'000
Balance 30 June 2008		162,492,417		43,119
Placement	30-Jul-07	20,000,000	$0.53	10,600
Option exercise	8-Aug-07	115,000	$0.20	23
Option exercise	21-Sep-07	460,000	$0.20	92
Rights issue	7-Nov-07	2,780,913	$0.53	1,474
Placement	7-Nov-07	15,426,632	$0.53	8,176
Option exercise	25-Feb-08	1,200,000	$0.19	228
Share issue costs				(1,075)
Balance 30 June 2009		202,474,962		62,637
Option exercise	15-Oct-09	115,000	$0.19	22
Option exercise	24-Feb-10	8,415,000	$0.19	1,599
Option exercise	8-Mar-10	714,286	$0.24	171
Option exercise	19-Mar-10	230,000	$0.19	44
Option exercise	24-Mar-10	690,000	$0.19	131
Option exercise	24-Mar-10	238,095	$0.24	57
Option exercise	25-Mar-10	115,000	$0.19	22
Option exercise	31-Mar-10	230,000	$0.19	44
Option exercise	1-Apr-10	1,984,127	$0.24	476
Option exercise	1-Apr-10	500,000	$0.29	145
Option exercise	7-Apr-10	690,000	$0.19	131
Option exercise	9-Apr-10	115,000	$0.19	22
Option exercise	12-Apr-10	238,095	$0.24	57
Option exercise	12-Apr-10	115,000	$0.19	22
Option exercise	13-Apr-10	317,460	$0.24	76
Option exercise	13-Apr-10	275,000	$0.19	52
Option exercise	15-Apr-10	500,000	$0.29	145
Option exercise	16-Apr-10	793,651	$0.24	190
Option exercise	22-Apr-10	1,833,000	$0.30	550
Placement	24-Jun-10	33,000,000	$0.75	24,750
Share issue cost				(1,307)
Balance 30 June 2010		**253,583,676**		**90,036**

16. Reserves and accumulated losses

	Consolidated	
	2010	2009
	$'000	$'000
(a) Share-based payment reserve		
Opening balance	**3,368**	3,153
Share-based payment expense	**179**	215
Balance 30 June	**3,547**	3,368
(b) Fair value reserve		
Opening balance	**(1,032)**	(2,808)
Transfer from accumulated losses to restate opening fair value reserve for the adoption of AASB 9	**(6,289)**	-
Impairment of available-for-sale financial assets transferred to profit or loss	**-**	2,276
Change in financial assets at fair value through other comprehensive income	**(240)**	(500)
Balance 30 June	**(7,561)**	(1,032)
(c) Foreign exchange reserve		
Opening balance	**-**	-
Currency translation differences arising during the year	**(1,039)**	-
Balance 30 June	**(1,039)**	-
(d) Accumulated losses		
Opening balance	**(33,669)**	(15,699)
Transfer to fair value reserve to restate opening fair value reserve for the adoption of AASB 9	**6,289**	-
Net loss for the year	**(3,019)**	(17,970)
Balance 30 June	**(30,399)**	(33,669)

The share-based payment reserve is used to record the fair value of share-based payments. When securities related to the amount recognised in the share-based payment reserve are exercised the value of those securities is transferred to contributed equity.

With respect to the payment of dividends (if any) by Aurora Oil & Gas Limited in subsequent financial years, no franking credits are currently available, or are likely to become available in the next 12 months.

The fair value reserve is used to record changes in the fair value of available-for-sale financial assets.

Notes to the Financial Statements

for the year ended 30 June 2010

17. Options and Performance Rights

As at balance date, the Consolidated Entity has the following classes of options and performance rights on issue:

		2010 Number	2009 Number	Exercise Price	Expiry
Type 1	AUTAK	**-**	8,000,000	$0.19	22-Feb-10
Type 2	AUTAK	**-**	4,285,714	$0.24	14-Apr-10
Type 3	AUTAK	**-**	2,185,000	$0.19	14-Apr-10
Type 4	AUTAK	**-**	805,000	$0.19	14-Apr-10
Type 5	AUTAK	**-**	1,000,000	$0.29	14-Apr-10
Type 6	AUTAK	**-**	1,833,000	$0.30	28-Apr-10
Type 8	AUTAQ	**500,000**	500,000	$0.50	30-Mar-11
Type 11	AUTAW	**500,000**	500,000	$0.60	30-Sep-10
Type 12	AUTAW	**500,000**	500,000	$0.70	30-Sep-10
Type 13	AUTAW	**500,000**	500,000	$0.60	30-Sep-10
Type 14	AUTAW	**500,000**	500,000	$0.70	30-Sep-10
Type 15	AUTAS	**250,000**	250,000	$0.60	31-Dec-10
Type 16	AUTAM	**500,000**	500,000	$0.70	31-Dec-11
Type 17	AUTAW	**25,000**	25,000	$0.53	30-Sep-10
Type 18	AUTAZ	**4,530,000**	-	Nil	19-Feb-15
Total		**7,805,000**	21,383,714		

The options and performance rights are not listed and carry no dividend or voting rights. Upon exercise, each option or performance right is convertible into one ordinary share to rank pari passu in all respects with the Company's existing fully paid ordinary shares.

Movements in the number of options and performance rights on issue during the year are as follows:

	Date			Number
At 1 July 2008				23,608,714
Granted during the year				
	9-Jul-08	Type 15	AUTAS	250,000
	9-Jul-08	Type 16	AUTAM	500,000
	9-Oct-08	Type 17	AUTAW	25,000
Expired during the year				
	31-Jan-09	Type 10	AUTAU	(3,000,000)
At 30 June 2009				21,383,714
Granted during the year				
	19-Feb-10	Type 18	AUTAZ	4,530,000
Exercised during the year				
	15-Oct-09	Type 3	AUTAK	(115,000)
	24-Feb-10	Type 1	AUTAK	(8,000,000)
	24-Feb-10	Type 3	AUTAK	(415,000)
	8-Mar-10	Type 2	AUTAK	(714,286)
	19-Mar-10	Type 3	AUTAK	(230,000)
	24-Mar-10	Type 2	AUTAK	(238,095)
	24-Mar-10	Type 3	AUTAK	(690,000)
	25-Mar-10	Type 3	AUTAK	(115,000)
	31-Mar-10	Type 3	AUTAK	(230,000)
	1-Apr-10	Type 2	AUTAK	(1,984,127)
	1-Apr-10	Type 5	AUTAK	(500,000)
	7-Apr-10	Type 4	AUTAK	(690,000)
	9-Apr-10	Type 4	AUTAK	(115,000)
	12-Apr-10	Type 2	AUTAK	(238,095)
	12-Apr-10	Type 3	AUTAK	(115,000)
	13-Apr-10	Type 2	AUTAK	(317,460)
	13-Apr-10	Type 3	AUTAK	(275,000)
	15-Apr-10	Type 5	AUTAK	(500,000)
	16-Apr-10	Type 2	AUTAK	(793,651)
	22-Apr-10	Type 6	AUTAK	(1,833,000)
At 30 June 2010				**7,805,000**

18. Share-based payments

(a) Performance rights

Performance rights over shares in Aurora Oil & Gas Limited were granted under the Aurora Oil & Gas Limited Performance Rights Plan ("Plan") which was approved by shareholders at the general meeting held on the 19 February 2010. The Plan is designed to align the interests of executives with shareholders by providing direct participation in the benefits of future Company performance over the medium to long term.

The participants of the plan to date are:
- Jonathan Stewart
- Ian Lusted
- Malcolm Bult

Under the plan, participants were granted performance rights which only vest if certain performance standards (as disclosed in the Directors' Report) are met and the executive remains employed by the Company to the end of the vesting period. The selection of suitable performance benchmarks were considered critical to securing the objective of this Plan, and have been set at significantly higher levels than those prevailing at the time of structuring the Plan.

The fair value of performance rights granted (see note above) during the year was calculated using a risked statistical analysis. Expense has been apportioned pro-rata to reporting periods where vesting periods apply.

Key inputs to the model used in the calculation were as follows (see also Directors' Report):

2010

	Type 18 AUTAZ
Grant date:	**19-Feb-10**
Expected price volatility (i)	85%
Exercise price	Nil
Expiry dates	19-Feb-2010
Share price at grant date	$0.29
Risk free interest rate (ii)	4.8%

(1) Expected price volatility was 85% (based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information).

(2) Risk free rate of securities with comparable terms to maturity.

Performance rights can only be exercised if they have vested and can be exercised until they lapse. The exercise of any vested performance right may only be effected in such form and manner as the Board may prescribe.

Participants will not be required to make any payment for the grant of the performance rights or on the exercise of a vested performance right. The maximum number of performance rights that could vest, and hence be exercised by the Participants are as follows:

Earliest exercise date:	**31 July 2010**	**31 July 2011**	**31 July 2012**	**31 July 2013**
Jonathan Stewart	450,000	750,000	900,000	900,000
Ian Lusted	240,000	360,000	390,000	-
Malcolm Bult	150,000	180,000	210,000	-

For the full entitlement of these performance rights to vest, the top range of the Performance Hurdle would need to be met in the last 15 trading days in July for each year from 2010 to 2013.

On this basis the weighted average fair value of each of the performance rights at the date of grant is as follows:

Vesting date:	31 July 2010	31 July 2011	31 July 2012	31 July 2013
Weighted average fair value	$0.13	$0.09	$0.06	$0.03

As at 30June 2010 the vested value of performance rights is therefore:

	Vested and exercisable	Vesting expense
	Number	$'000
Jonathan Stewart	-	75
Ian Lusted	-	37
Malcolm Bult	-	21
Total	-	133

(b) Options

No options were granted during the year ended 30 June 2010.

During the prior year options were granted to consultants. The fair value of options granted during the prior year was calculated using the Binomial options pricing model. Expense was apportioned pro-rata to reporting periods where vesting periods apply.

Key inputs to the model used in the calculation were as follows:

2009

	Type 15 AUTAS	Type 16 AUTAM	Type 17 AUTAW
Grant date:	**9-Jul-08**	**9-Jul-08**	**3-Oct-08**
Expected price volatility (i)	65%	65%	65%
Exercise price	$0.60	$0.70	$0.53
Expiry dates	31-Dec-10	31-Dec-11	30-Sep-10
Share price at grant date	$0.39	$0.39	$0.29
Risk free interest rate (ii)	6.5%	6.5%	7.0%

(i) Expected price volatility was 65% (based on the historical volatility adjusted for any expected changes to future volatility due to publicly available information).

(ii) Risk free rate of securities with comparable terms to maturity.

The weighted average fair value of options granted during the prior year was $0.09 per option.

Notes to the Financial Statements

for the year ended 30 June 2010

19. Parent entity information

The following details information related to the parent entity, Aurora Oil & Gas Limited, at 30 June 2010. The information presented here has been prepared using accounting policies consistent with those presented in Note 1.

	Company	
	2010	2009
	$'000	$'000
Current assets	**53,954**	10,409
Non-current assets	**1,201**	21,232
Total assets	**55,155**	31,641
Current liabilities	**570**	337
Non-current liabilities	**-**	-
Total liabilities	**570**	337
Contributed equity	**90,036**	62,637
Share-based payment reserve	**3,547**	3,368
Fair value reserve	**(7,561)**	(1,032)
Accumulated losses	**(31,437)**	(33,669)
Total equity	**54,585**	31,304
(Loss) for the year	**(4,058)**	(17,970)
Other comprehensive income for the year	**240**	500
Total comprehensive (loss) for the year	**(3,818)**	(17,470)

The parent company restated opening fair value reserve and accumulated losses at 1 July 2009 for the adoption of AASB 9. Details of the adoption of AASB 9 can be found in Note 1.

At balance date amounts receivable from controlled entities totalled $55,363,391 (at cost) (2009: $45,795,635). The transactions were made interest free with no fixed terms for repayment. Following guidance issued by the Australian Standards Board, this receivable has been included within the cost of investment in subsidiaries.

(a) Wholly–owned Group

Details of interests in wholly-owned controlled entities are set out at part (b) of this note. Details of dealings with controlled entities are as follows:

Inter-company Account

Aurora Oil & Gas Limited provides working capital to its controlled entities. Transactions between Aurora Oil & Gas Limited and other controlled entities in the wholly owned Group during the year ended 30 June 2010 consisted of:

(i) Working capital advanced by Aurora Oil & Gas Limited;

(ii) Provision of services by Aurora Oil & Gas Limited; and

(iii) Expenses paid by Aurora Oil & Gas Limited on behalf of its controlled entities.

The above transactions were made interest free with no fixed terms for the repayment of principal on amounts advanced by Aurora Oil & Gas Limited.

Details of transactions with controlled entities during the year are as follows:

	Company	
	2010	2009
	$'000	$'000
Sale of goods and services		
Management fees & recharges to subsidiaries	**1,131**	155
Loans to subsidiaries		
Beginning of the year	**45,797**	45,074
Loans advanced	**8,435**	568
End of year	**55,363**	45,797

19. Parent entity information (cont'd)

(b) Investments in Controlled Entities

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding 2010 %	Equity Holding 2009 %
Corpus Christi Gas Inc	USA	Ordinary	100	100
Corpus Christi Gas General LLC	USA	Ordinary	100	100
Corpus Christi Gas Limited LLC	USA	Ordinary	100	100
Corpus Christi Gas LP	USA	Ordinary	100	100
Sugarloaf Oil & Gas Inc	USA	Ordinary	100	100
Sugarloaf Oil & Gas General LLC	USA	Ordinary	100	100
Sugarloaf Oil & Gas Limited LLC	USA	Ordinary	100	100
Sugarloaf Oil & Gas LP	USA	Ordinary	100	100
West Black Lake Oil & Gas Inc	USA	Ordinary	100	100
West Black Lake Oil & Gas General LLC	USA	Ordinary	100	100
West Black Lake Oil & Gas Limited LLC	USA	Ordinary	100	100
West Black Lake Oil & Gas LP	USA	Ordinary	100	100
Aurora West Coast Oil Inc	USA	Ordinary	100	100
Meelup Oil & Gas Inc	USA	Ordinary	100	100
Meelup Oil & Gas General LLC	USA	Ordinary	100	100
Meelup Oil & Gas Limited LLC	USA	Ordinary	100	100
Meelup Oil & Gas LP	USA	Ordinary	100	100
Mullaloo Oil & Gas Inc	USA	Ordinary	100	100
Mullaloo Oil & Gas General LLC	USA	Ordinary	100	100
Mullaloo Oil & Gas Limited LLC	USA	Ordinary	100	100
Mullaloo Oil & Gas LP	USA	Ordinary	100	100
Yallingup Oil & Gas Inc	USA	Ordinary	100	100
Yallingup Oil & Gas General LLC	USA	Ordinary	100	100
Yallingup Oil & Gas Limited LLC	USA	Ordinary	100	100
Yallingup Oil & Gas LP	USA	Ordinary	100	100
Trigg Oil & Gas Inc	USA	Ordinary	100	100
Trigg Oil & Gas General LLC	USA	Ordinary	100	100
Trigg Oil & Gas Limited LLC	USA	Ordinary	100	100
Trigg Oil & Gas LP	USA	Ordinary	100	100

(c) Ultimate Parent Company

Aurora Oil & Gas Limited, a listed public company incorporated and domiciled in Australia is the Ultimate Holding Company of the Consolidated Entity.

20. Reconciliation of loss after income tax to net cash outflow from operating activities

	Consolidated	
	2010	2009
	$'000	$'000
Loss for the year	**(3,019)**	(17,970)
Add/(less) non-cash items:		
Depreciation and amortisation	**209**	4,942
Exploration and evaluation costs expensed	**507**	7,178
Impairment – available-for-sale financial asset	**-**	6,288
Share based payment	**180**	215
Loss on disposal of project	**281**	-
Profit on disposal of project	**(15)**	-
Net foreign exchange (gains)/losses	**20**	(2,178)
Add/(less) items classified as investment cash flows		
Net interest	**(205)**	(279)
Change in assets and liabilities during the financial year		
Increase in receivables	**(268)**	-
(Decrease) / increase in payables	**(31)**	(198)
Net cash inflow / (outflow) from operating activities	**(2,341)**	(2,002)

As at balance date the Consolidated Entity had no outstanding credit facilities.

During the year ended 30 June 2010, the Group cancelled the US$10 million loan facility with BOS International (BOSI) that was established for the development of gas reserves at the Flour Bluff Field, Texas. The Group's continued focus on the significant gas and condensate discovery at Sugarkane, also located in Texas, resulted in a lower priority of allocation of capital to Flour Bluff and the subsequent sale of all the WI associated with and infrastructure at Flour Bluff (note: the Group retained a 20% WI in approximately 1,400 acres that remains for exploration). The Board therefore determined that these circumstances no longer justified the continued payment of costs associated with carrying the BOSI facility and accordingly the loan has been repaid from cash reserves.

Notes to the Financial Statements

for the year ended 30 June 2010

21. Loss per share

	Consolidated	
	2010	2009
	Cents	Cents
Basic / diluted loss per share		
Loss attributable to the ordinary equity holders of the Company	**(1.19)**	(8.9)
Loss used in calculation of basic / diluted loss per share	**$'000**	$'000
Loss after tax	**(3,019)**	(17,970)
Weighted average number of ordinary shares used as the denominator in calculating basic / diluted loss per share	**253,583,676**	201,921,752

Options on issue (note 17) represent potential ordinary shares but are not dilutive as they would decrease the loss per share. Accordingly they have been excluded from the weighted average number of ordinary shares and potential ordinary shares used in the calculation of diluted earnings per share.

22. Jointly controlled assets

At balance date, the Group has non-operating working interests in joint operating agreements for the following projects:

Project	Activity	Working Interest*	
		2010	2009
Sugarloaf	Gas/Condensate prospect, exploration (USA)	**11.46 – 10%**	20%
Ipanema	Gas/Condensate prospect, exploration (USA)	**30%**	100 - 80%
Longhorn	Gas/Condensate prospect, exploration (USA)	**25%**	100 - 50%

* Working Interest denotes the percentage share of costs to be borne by the Group in relation to its interest in projects. The Working Interest and Net Revenue Interests are subject to varying terms in the relevant agreements for each project. Pursuant to farmout arrangements announced on 21 September 2009, in return for being free carried for up to 7 new horizontal wells and the stimulation of the 3 existing wells, Aurora's working interest in Sugarloaf and Longhorn will be reduce by a maximum of 50% and 5/8th for the Ipanema AMI. Once drilled by the Farminee, the first well within each of the Longhorn and Ipanema AMIs will be considered as having met the Aurora's obligation well commitments within these areas.

Flour Bluff	Gas field development and production project (USA)	**20%**	20 – 24.7%
West Black Lake	Gas field development and production project (USA)	**-**	40.3 - 20.15%
North Belridge	Oil wells (USA)	**32.5%**	32.5%

The interests in land, wells and infrastructure at West Black Lake were sold at auction in December 2009. Aurora no longer holds any interest in this field.

The interests in land, wells and infrastructure at Flour Bluff were sold at auction in December 2009. Aurora elected to retain a 20% Working Interest in approximately 1,400 acres within the Flour Bluff field that remains prospective for further exploration activity. The company also retained some minor royalty interests within the Flour Bluff field.

Within the North Belridge prospect the company holds a working interest in the two wells to which it has contributed funds and the associated acreage of 32.5%.

The total carrying value of Aurora's interest in assets held by these projects as at balance date is $25,291,000 (2009: $24,563,000).

23. Key management personnel disclosures

(a) The directors of Aurora Oil Gas Limited during the periods being report on were:

Mr. Jonathan Stewart – Executive Chairman
Mr. Graham Dowland – Non-Executive Director
Mr. Michael Blakiston – Non-Executive Director
Mr. Gren Schoch – Non-Executive Director
Mr. Ian Lusted – Technical Director

(b) Other key management personnel

In addition to the directors and the Company Secretary, Ms. Julie Foster (previously Mr. David Lim), Mr Malcolm Bult was appointed as an executive on the 16 February 2010. No other persons had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly during the current or prior financial years. Ms. Foster commenced as Company Secretary on 23 October 2009, while Mr. Lim ceased being Company Secretary on 23 October 2009.

(c) Key management personnel compensation

	Consolidated	
	2010	2009
	$	$
Short term benefits	**540**	481
Post-employment benefits	**12**	6
Share-based payments	**111**	-
	663	487

Detailed remuneration disclosures can be found in the section of the Directors Report headed "Remuneration Report".

Notes to the Financial Statements
for the year ended 30 June 2010

23. Key management personnel disclosures (cont'd)

(d) Equity instrument disclosures relating to Key Management Personnel

(i) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director of Aurora Oil & Gas Limited and other Key Management Personnel of the Group, including their personally related parties, are set out below.

	Balance at start of the year	Granted as compen-sation	Exercised	Net other changes	Balance at the end of year	Vested and exercisable
2010						
Directors of Aurora Oil & Gas Limited						
Jonathan Stewart						
Note conversion options	7,200,000	-	(7,200,000)	-	-	-
Performance rights	-	3,000,000	-	-	3,000,000	-
Subtotal J. Stewart	***7,200,000***	***3,000,000***	***(7,200,000)***	***-***	***3,000,000***	***-***
Michael Blakiston						
Note conversion options	690,000	-	(690,000)	-	-	-
Incentive options	500,000	-	(500,000)	-	-	-
Subtotal M. Blakiston	***1,190,000***	***-***	***(1,190,000)***	***-***	***-***	***-***
Graham Dowland						
Note conversion options	800,000	-	(800,000)	-	-	-
Subtotal G. Dowland	***800,000***	***-***	***(800,000)***	***-***	***-***	***-***
Gren Schoch						
Note conversion options	793,651	-	(793,651)	-	-	-
Incentive options	500,000	-	(500,000)	-	-	-
Subtotal PG. Schoch	***1,293,651***	***-***	***(1,293,651)***	***-***	***-***	***-***
Ian Lusted						
Incentive options	1,000,000	-	-	-	1,000,000	1,000,000
Performance rights	-	990,000	-	-	990,000	-
Subtotal I. Lusted	***1,000,000***	***990,000***	***-***	***-***	***1,990,000***	***1,000,000***
Other key management personnel of the Group						
Julie Foster (1)	-	-	-	-	-	-
David Lim (2)	-	-	-	-	-	-

(1) Ms Foster appointed as Company Secretary on 23 October 2009.

(2) Mr. Lim resigned as Company Secretary on 23 October 2009.

	Balance at start of the year	Granted as compen-sation	Exercised	Net other changes	Balance at the end of year	Vested and exercisable
2009						
Directors of Aurora Oil & Gas Limited						
Jonathan Stewart						
Note conversion options	7,200,000	-	-	-	7,200,000	7,200,000
Incentive options	1,500,000	-	-	(1,500,000)	-	-
Subtotal J. Stewart	***8,700,000***	***-***	***-***	***(1,500,000)***	***7,200,000***	***7,200,000***
Michael Blakiston						
Note conversion options	690,000	-	-	-	690,000	690,000
Incentive options	500,000	-	-	-	500,000	500,000
Subtotal M. Blakiston	***1,190,000***	***-***	***-***	***-***	***1,190,000***	***1,190,000***
Graham Dowland						
Note conversion options	800,000	-	-	-	800,000	800,000
Subtotal G. Dowland	***800,000***	***-***	***-***	***-***	***800,000***	***800,000***
Gren Schoch						
Note conversion options	793,651	-	-	-	793,651	793,651
Incentive options	500,000	-	-	-	500,000	500,000
Subtotal G. Schoch	***1,293,651***	***-***	***-***	***-***	***1,293,651***	***1,293,651***
Ian Lusted (1)						
Incentive options	1,000,000	-	-	-	1,000,000	1,000,000
Subtotal I. Lusted	***1,000,000***	***-***	***-***	***-***	***1,000,000***	***1,000,000***
Other key management personnel of the Group						
David Lim	-	-	-	-	-	-
Alex Neuling (2)						
Incentive options	**250,000**	**-**	**-**	**(250,000)**	**-**	**-**

(1) Balance held on appointment as a director of the Company. These options were granted to Mr. Lusted in his prior capacity as a technical consultant to the Company, and prior to him meeting the definition of key management personnel.

(2) Mr. Neuling ceased being Company Secretary on 9 April 2009.

Details of options provided as remuneration, and shares issued on exercise of such options, together with the terms and conditions of the options, can be found in the section of the Directors Report headed “Remuneration Report”.

Notes to the Financial Statements

for the year ended 30 June 2010

23. Key management personnel disclosures (cont'd)

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director of Aurora Oil & Gas Limited and other Key Management Personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

	Balance at start of the year	Exercise of options	Net other changes	Balance at the end of year
2010				
Directors of Aurora Oil & Gas Limited				
Jonathan Stewart	10,019,434	7,200,000	-	17,219,434
Michael Blakiston	4,731,533	1,190,000	(149,435)	5,772,098
Graham Dowland	1,390,378	800,000	-	2,190,378
Gren Schoch	2,380,953	1,293,651	(91,500)	3,583,104
Ian Lusted	100,500	-	18,000	118,500
Other key management personnel of the Group				
Julie Foster[(1)]	-	-	-	-
David Lim[(2)]	-	-	-	-

	Balance at start of the year	Exercise of options	Net other changes	Balance at the end of year
2009				
Directors of Aurora Oil & Gas Limited				
Jonathan Stewart	10,019,434	-	-	10,019,434
Michael Blakiston	4,731,533	-	-	4,731,533
Graham Dowland	1,390,378	-	-	1,390,378
Gren Schoch	2,380,953	-	-	2,380,953
Ian Lusted	67,000	-	33,500	100,500
Other key management personnel of the Group				
David Lim[(2)]	-	-	-	-
Alex Neuling[(3)]	46,059	-	(46,059)	-

(1) Ms. Foster appointed as Company Secretary on 23 October 2009.

(2) Mr. Lim resigned as Company Secretary on 23 October 2009.

(3) Mr. Neuling resigned as Company Secretary on 9 April 2009.

24. Related party transactions

Transactions with controlled entities are disclosed in note 19. Compensation and equity transactions with Key Management Personnel are disclosed at note 23.

Details of other transactions with related parties during the current and prior financial year are set out below:

(a) Payments for goods and services

		Consolidated	
		2010	2009
	Note	**$'000**	$'000
Payments for services	(i)	**232**	182

(i) During the year $66,483 was paid on normal commercial terms for legal services to Blakiston & Crabb, a law firm in which Mr. Michael Blakiston, a director, is a partner (2009: $949). The outstanding balance payable at year end was $4,672 (2009: nil). Additionally, an amount of $165,441 was paid on commercial terms for office accommodation (rental & outgoings), car parking & office equipment during the year to Epicure Administration Pty Ltd, a company of which Mr. Jonathan Stewart, Chairman, is also a director and beneficial shareholder (2009: $181,484). The outstanding balance payable at year end was $31,142 (2009: $40,873).

25. Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Consolidated Entity, its related practices and non-related audit firms:

	Consolidated	
	2010	2009
	$'000	$'000
BDO Audit (WA) Pty Ltd for:		
Audit and review of financial statements and other audit work under the *Corporations Act 2001*	**67**	55
Total remuneration	**67**	55

26. Financial risk management objectives and policies

Aurora's board of directors (Board) performs the duties of a risk management committee in identifying and evaluating sources of financial and other risks. The Board seeks to balance the potential adverse effects of financial risks on Aurora's financial performance and position with the "upside" potential made possible by exposure to these risks and by taking into account the costs and expected benefits of the various methods available to manage them.

These financial risks include risks such as market risks (including currency risk and cash flow interest rate risk and commodity price risk), credit risk & liquidity risk. These disclosures are not, nor are they intended to be an exhaustive list of risks to which Aurora is exposed.

Notes to the Financial Statements
for the year ended 30 June 2010

26. Financial risk management objectives and policies (cont'd)

(a) Market risk

(i) Commodity price risk

As a result of its operations the Group is exposed to commodity price risk arising from fluctuations in the prices of natural gas and crude oil. The demand for, and prices of, natural gas and crude oil are dependent on a variety of factors, including:

- Supply and demand;
- Weather conditions;
- The price and availability of alternative fuels;
- Actions taken by governments and international cartels; and
- Global economic and political developments.

As at balance date, the Board has formed the view that it would not be beneficial for the Group to purchase forward contracts or other derivative financial instruments to hedge the commodity price risk. Factors which the Board considered in arriving at this position included the expense of purchasing such instruments and the inherent difficulties associated with forecasting future production levels while the Group is primarily at the development stage of realising the value of its oil & gas assets. As development of these assets progresses and it becomes possible to forecast future production levels with a greater degree of certainty, the board may reconsider its position with regard to hedging against commodity price risk in the future. Commodity price variations would not have any material impact on the value of financial instruments held by Aurora in the current or prior year.

(ii) Foreign exchange risk

Aurora is based in Australia, its shares are listed on the Australian Securities Exchange and the Consolidated Entity reports its financial performance and position in Australian dollars ($A). On the 1 July 2009 the functional currency of US subsidiaries changed to USD, primarily because the trend in the source currency of the majority of the costs of the US subsidiaries from AUD to USD, was not considered temporary. As a result of the change in US subsidiaries functional currency, the Group is now only exposed to foreign exchange risk arising from fluctuations in the $A/$US exchange rate at parent entity level.

As at balance date, the Board has formed the view that it would not be beneficial for the Group to purchase forward contracts or other derivative financial instruments to hedge this foreign exchange risk. Factors which the Board considered in arriving at this position included: The expense of purchasing such instruments; the inherent difficulties associated with forecasting the timing and quantum of $US cash inflows and outflows.

The Group's exposure to foreign currency risk at the reporting date was as follows:

	Consolidated	
	2010	2009
	US$'000	US$'000
Cash	**3,293**	3,532
Trade Receivables	**-**	79
Trade Payables	**-**	(309)
Loans payable	**-**	(3,250)
Prepaid exploration, evaluation and lease acquisition expenses	**-**	508

Group sensitivity

Based on the financial instruments held at reporting date, with all other variables assumed to be held constant, the table below sets out the notional effect on consolidated loss after tax for the year and equity at reporting date under varying hypothetical fluctuations in the prevailing A$/US$ exchange rate:

	Consolidated	
	2010	2009
	$'000	$'000
Hypothetical 20%[1] strengthening of $A relative to $US		
Increase / (decrease) in loss after tax	**641**	116
Increase / (decrease) in equity	**(641)**	(116)
Hypothetical 20%[1] weakening of $A relative to $US		
Increase / (decrease) in loss after tax	**961**	174
Increase / (decrease) in equity	**(961)**	(174)

[1] A hypothetical change of 20% in the $US and $A exchange rates was used to calculate the Group's sensitivity to foreign exchange rate movements as this is management's estimate of possible rate movements over the coming year taking into account current market conditions and past volatility (2009: 20%).

(iii) Interest rate risk

As at and during the year ended on balance date the Group had no significant interest-bearing assets or liabilities other than liquid funds on deposit. As such, the Group's income and operating cash flows (other than interest income from funds on deposit) are substantially independent of changes in market interest rates. The Board manages the Consolidated Entity's exposure to interest rate risk by continuously assessing the company's exposure and taking into account funding requirements, selects appropriate investments to manage its exposure. The Group's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and liabilities is set out below.

		Consolidated	
		2010	2009
		$'000	$'000
Financial Assets			
Cash assets		**28,393**	10,873
Loans payable	Floating rate	**-**	(4,040)

Weighted average effective interest rate of funds on deposit is 3.27% (2009: 2.3%)

26. Financial risk management objectives and policies (cont'd)

Group sensitivity

Based on the financial instruments held at reporting date, with all other variables assumed to be held constant, the table below sets out the notional effect on consolidated loss after tax for the year and equity at reporting date under varying hypothetical changes in prevailing interest rates:

	Consolidated	
	2010	2009
	$'000	$'000
Hypothetical 90[1] basis point increase		
Increase / (decrease) in loss after tax	**(256)**	(62)
Increase / (decrease) in equity	**256**	62
Hypothetical 90[1] basis point decrease		
Increase / (decrease) in loss after tax	**256**	62
Increase / (decrease) in equity	**(256)**	(62)

(1) A hypothetical change of 90 basis points was used to calculate the Group's sensitivity to future interest rate movements as this figure approximates the movement in bond yields published by the Reserve Bank of Australia for bonds with a 12 month maturity (2009: 0.90%).

(iv) Price risk

The Group is exposed to equity securities price risk in relation to its investment in Elixir Petroleum Ltd.

The Group at present holds no other equity securities and consequently the equity price risk associated with this investment is not reduced through portfolio diversification. The carrying value of this investment is $1,200,000 as at 30 June 2010. The impact of fluctuations in the fair value of this investment on post-tax loss for the year would depend on whether such fluctuations were as a result of impairment or of short-term market movements. In the table below movements in share price are assumed to be short-term market movement related and the movement in the fair value would be recognised in the statement of comprehensive income.

	Consolidated	
	2010	2009
	$'000	$'000
Hypothetical 50%[1] increase in price (2009: 30%)		
Increase / (decrease) in loss after tax	**-**	-
Increase / (decrease) in equity	**600**	432
Hypothetical 20%[1] decrease in price (2009: 10%)		
Increase / (decrease) in loss after tax	**-**	-
Increase / (decrease) in equity	**(240)**	(144)

(1) Management has determined that the above hypothetical outcomes are the most appropriate estimation of share price movements given the current market and economic conditions.

(b) Credit risk

The Group trades only with recognised, trustworthy third parties and it is the Group's policy to perform credit verification procedures in relation to any customers wishing to trade on credit terms with the Group.

Notwithstanding the above, the Group is exposed to level of credit risk arising from the fact that a large proportion of its receivables and non-current oil & gas assets relate to its interests in projects operated by a single US private company.

The Board are of the opinion that the credit risk arising as a result of this concentration of the Group's assets is more than offset by the potential benefits to be gained through continuing to build on the Group's relationship with the operator of its existing projects.

The maximum exposure to credit risk at the reporting date is the carrying amount of the assets as summarised below, none of which are impaired or past due. The Group has a number of recourse options available in the event of counterparty default, including but not limited to de facto security over jointly held assets.

	Consolidated	
	2010	2009
	$'000	$'000
Trade receivables	**378**	110
Prepaid exploration, development and lease acquisition expenses	**1,944**	631
Total	**2,322**	741

Credit risk also arises from cash and cash equivalents and deposits with financial institutions. For banks and financial institutions, only independently rated parties with minimum rating of 'A' are accepted.

	Consolidated	
	2010	2009
	$'000	$'000
Cash at bank and short-term bank deposits		
AA Rated	**28,393**	10,397
A Rated	**-**	476
	28,393	10,873

(c) Liquidity risk

Prudent liquidity management involves the maintenance of sufficient cash, marketable securities, committed credit facilities and access to capital markets. It is the policy of the board to ensure that the Group is able to meet its financial obligations and maintain the flexibility to pursue attractive investment opportunities through keeping committed credit lines available where possible, ensuring the Group has sufficient working capital and preserving the 15% share issue limit available to the Company under the ASX Listing Rules.

26. Financial risk management objectives and policies (cont'd)

Financing arrangements

During the current year the Group cancelled the US$10,000,000 (floating rate) project finance facility available for use primarily in developing proved reserves at Flour Bluff. The Group's continued focus on significant gas and condensate discovery Sugarkane, also located in Texas, resulted in a lower priority of allocation of capital to Flour Bluff and the subsequent sale of all WI associated with wells and infrastructure. The Board therefore determined that these circumstances no longer justified the continued payment of costs associated with carrying the facility and accordingly repaid the outstanding US$3,250,000 drawn down in previous years, from cash reserves.

Maturities of financial liabilities

As at reporting date the Group had total financial liabilities of $677,738 (2009: $5,247,820). This comprised of non interest-bearing trade creditors and accruals with a maturity of less than 6 months totalling $677,738 (2009: $708,838).

The table below analysis the Group's financial liabilities in relevant maturity groups. The amounts are the contractual undiscounted cash flows.

Group	Less than 12 months $'000	Over 12 months $'000	Carrying Amount $'000
Non derivative			
Non-interest bearing	678	-	678
Variable rate	-	-	-
Total non derivative	**678**	**-**	**678**

(d) Fair value estimation

The fair value of financial assets and liabilities held by the Group must be estimated for recognition, measurement and / or disclosure purposes.

As at 1 July 2009, the Group has adopted the amendment to AASB 7 Financial Instruments: Disclosures which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(i) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);

(ii) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2); and

(iii) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The Group's investment in the equity securities of Elixir Petroleum Ltd is measured under level 1 disclosure requirements. The fair value of $1,200,000 (2009: $1,440,000) was determined based on the security's quoted market closing bid price.

The fair value of financial instruments traded in active markets (such as available-for-sale securities) is based on quoted market prices at the reporting date. The quoted market price used for financial assets held by the Group is the current bid price.

The carrying values (net of any applicable impairment provision) of trade receivables and payables are assumed to approximate their fair values due to their short-term nature.

(e) Capital risk management

The Group manages its capital to ensure entities in the Group will be able to continue as a going concern while maximising the potential return to shareholders.

The capital structure of the Group consists of cash and cash equivalents and equity attributable to equity holders of the parent.

None of the Group's entities are subject to externally imposed capital requirements.

27. Subsequent events

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

(a) On 26 July 2010, Aurora announced the results of a General Meeting held on that date to ratify the Tranche 1 placement of 33,000,000 ordinary shares at an issue price of $0.75; to approve the Tranche 2 placement of 13,666,666 ordinary shares at an issue price of $0.75; and to approve the issue of 8,000,000 shares at an issue price of $0.75 pursuant to the underwritten share purchase plan in accordance with the Notice of Meeting released to the ASX on 25 June 2010. All resolutions were passed on a show of hands.

(b) Aurora issued 600,000 ordinary fully paid shares at an issue price of $0.60 per share, 250,000 ordinary fully paid shares at an issue price of $0.50 per share and 25,000 ordinary fully paid shares at an issue price of $0.53 per share to option holders from the exercise of options.

(c) Aurora issued 840,000 ordinary fully paid shares at no cost per share to performance rights holders from the exercise of performance rights.

(d) On 18 August 2010, Aurora released a summary of a maiden reserves certification independently carried out by the USA based consultancy firm, Netherland, Sewell & Associates, Inc. ("NSAI") in respect of the Group's interest in the Sugarkane Field. The following reserve allocations were made with an effective date of 1 July 2010:

1P – 1,523,000 bbls, 8.3 Bcf and NPV(10) US$70.2 million

2P – 4,317,000 bbls, 24.9 Bcf and NPV(10) US$190.1 million

3P – 33,207,000 bbls, 138.0 Bcf and NPV(10) US$986.2 million.

Other than as disclosed above, no event has occurred since 30 June 2010 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 (including the Director's Report).

28. Commitments & contingencies

The Consolidated Entity has no contingent assets or liabilities at balance date and has no firm contractual commitments for expenditure not reflected in the financial statements (2009: nil).

Directors' Declaration

In the Directors' opinion:

(a) the financial statements and accompanying notes set out on pages 32 to 83, are in accordance with the *Corporations Act 2001*, including:

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

(ii) giving a true and fair view of the Consolidated Entity's financial position as at 30 June 2010 and of their performance for the financial year ended on that date.

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

(c) the financial statements and accompanying notes are prepared in compliance with IFRS and interpretations adopted by the International Accounting Standards Board.

(d) the remuneration disclosures included on pages 20 to 27 of the Directors' Report (as part of audited Remuneration Report), for the year ended 30 June 2010 comply with section 300A of the *Corporations Regulations 2001*.

The Directors have been given the declarations by the chief executive officer and chief financial officer required by s.295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the Board of Directors.

JONATHAN STEWART
Executive Chairman
Perth, Western Australia

22 September 2010

Additional Securities Exchange Information

Corporate Governance Statement

Aurora Oil & Gas Limited ("Company") has made it a priority to adopt systems of control and accountability as the basis for the administration of corporate governance. Some of these policies and procedures are summarised in this statement. Commensurate with the spirit of the ASX Corporate Governance Council's Corporate Governance Principles and Recommendations ("Principles & Recommendations"), the Company has followed each recommendation where the Board has considered the recommendation to be an appropriate benchmark for its corporate governance practices. Where the Company's corporate governance practices follow a recommendation, the Board has made appropriate statements reporting on the adoption of the recommendation. Where, after due consideration, the Company's corporate governance practices depart from a recommendation, the Board has offered full disclosure and reason for the adoption of its own practice, in compliance with the "if not, why not" regime.

Disclosure of Corporate Governance Practices

Summary Statement

	ASX P & R[1]	If not, why not[2]		ASX P & R[1]	If not, why not[2]
Recommendation 1.1	✓		Recommendation 4.3	✓	
Recommendation 1.2	✓		Recommendation 4.4[3]	n/a	n/a
Recommendation 1.3[3]	n/a	n/a	Recommendation 5.1	✓	
Recommendation 2.1	✓		Recommendation 5.2[3]	n/a	n/a
Recommendation 2.2		✓	Recommendation 6.1	✓	
Recommendation 2.3		✓	Recommendation 6.2[3]	n/a	n/a
Recommendation 2.4		✓	Recommendation 7.1	✓	
Recommendation 2.5	✓		Recommendation 7.2	✓	
Recommendation 2.6[3]	n/a	n/a	Recommendation 7.3	✓	
Recommendation 3.1	✓		Recommendation 7.4[3]	n/a	n/a
Recommendation 3.2	✓		Recommendation 8.1	✓	
Recommendation 3.3[3]	n/a	n/a	Recommendation 8.2	✓	
Recommendation 4.1	✓		Recommendation 8.3[3]	n/a	n/a
Recommendation 4.2	✓				

1 Indicates where the Company has followed the Principles & Recommendations.

2 Indicates where the Company has provided "if not, why not" disclosure.

3 Indicates an information based recommendation. Information based recommendations are not adopted or reported against using "if not, why not" disclosure – information required is either provided or it is not.

Additional Securities Exchange Information

Website Disclosures

Further information about the Company's charters, policies and procedures may be found at the Company's website at www.auroraoag.com.au, under the section marked Corporate Governance. A list of the charters, policies and procedures which are referred to in this Corporate Governance Statement, together with the recommendations to which they relate, are set out below.

Charters	Recommendation(s)
Board	1.3
Audit Committee	4.4
Nomination Committee	2.6
Remuneration Committee	8.3
Policies and Procedures	
Policy and Procedure for Selection and (Re)Appointment of Directors	2.6
Process for Performance Evaluation	1.2, 2.5
Policy on Assessing the Independence of Directors	2.6
Policy for Trading in Company Securities	3.2, 3.3
Code of Conduct (summary)	3.1, 3.3
Policy on Continuous Disclosure	5.1, 5.2
Procedure for Selection, Appointment and Rotation of External Auditor	4.4
Shareholder Communication Policy	6.1, 6.2
Risk Management Policy	7.1, 7.4

Disclosure – Principles & Recommendations

The Company reports below on how it has followed (or otherwise departed from) each of the Principles & Recommendations during the 2009/2010 financial year ("Reporting Period").

Principle 1 – Lay solid foundations for management and oversight

Recommendation 1.1:

Companies should establish the functions reserved to the Board and those delegated to senior executives and disclose those functions.

Disclosure:

The Company has established the functions reserved to the Board and has set out these functions in its Board Charter. The Board is collectively responsible for promoting the success of the Company through its key functions of overseeing the management of the Company, providing overall corporate governance of the Company, monitoring the financial performance of the Company, engaging appropriate management commensurate with the Company's structure and objectives, involvement in the development of corporate strategy and performance objectives and reviewing, ratifying and monitoring systems of risk management and internal control, codes of conduct and legal compliance.

The Company has established the functions delegated to senior executives and has set out these functions in its Board Charter. Senior executives are responsible for supporting the Chief Executive Officer and assisting the Chief Executive Officer in implementing the running of the general operations and financial business of the Company, in accordance with the delegated authority of the Board.

Senior executives are responsible for reporting all matters which fall within the Company's materiality thresholds at first instance to the Chief Executive Officer or, if the matter concerns the Chief Executive Officer, then directly to the Chair or the lead independent director, as appropriate.

Company's Materiality Thresholds

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter which can be found on the Company website:

- Balance sheet items are material if they have a value of more than 10% of pro-forma net asset.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

The Board Charter can be found on the Company website.

Recommendation 1.2:

Companies should disclose the process for evaluating the performance of senior executives.

Disclosure:

The Board is responsible for evaluating the performance of senior executives. The Board evaluates the senior executives informally as required.

Recommendation 1.3:

Companies should provide the information indicated in the Guide to reporting on Principle 1.

Disclosure:

During the Reporting Period, an informal evaluation of senior executives took place in accordance with the process disclosed at Recommendation 1.2.

Additional Securities Exchange Information

Principle 2 – Structure the board to add value

Recommendation 2.1:

A majority of the Board should be independent directors.

Disclosure:

The Board has a majority of directors who are independent.

The independent directors of the Board are Michael Blakiston, Graham Dowland and Gren Schoch and the non independent directors of the Board are Jonathan Stewart and Ian Lusted.

The Board assesses the independence of its non-executive directors as required, however at least annually.

Recommendations 2.2 and 2.3:

The Chair should be an independent director.

The roles of the Chair and Chief Executive Officer should not be exercised by the same individual.

Notification of Departure:

Mr Stewart is the Chief Executive Officer and Chair of the Board.

Explanation for Departure:

Whilst the Company recognises the benefit of having an independent director as Chair, the Board believes that the current size and structure of the Company, along with the composition of the current board, with a majority of its number being independent, ensures the integrity of the Board's actions in the discharge of its duties and responsibilities. Mr Stewart's experience in managing companies, and experience in the oil and gas industry make him the most suitable person to chair the current Board. A lead independent director has been elected by the Board to assume the role of chair in situations where Mr Stewart is unable to act as chair.

The Board reviews its composition on an on-going basis.

Recommendation 2.4:

The Board should establish a Nomination Committee.

Notification of Departure:

The Company has not established a separate Nomination Committee.

Explanation for Departure:

Due to the infrequent nature of appointments to the Board, and the executive management team, the Board has determined that the establishment of permanent Nomination Committee is unwarranted. The Board believes that the size and composition of the full Board allows for an efficient mechanism for the examination of the selection and appointment practices of the Company. When the full Board is discharging its responsibilities in its capacity of the Nomination Committee, it adheres to the Nomination Committee Charter.

Recommendation 2.5:

Companies should disclose the process for evaluating the performance of the Board, its committees and individual directors.

Disclosure:

The Chair is responsible for evaluation of the Board and, when deemed appropriate, Board committees and individual directors. The independent non-executive directors are responsible for evaluating the Chief Executive Officer.These evaluations occur informally as required.

Recommendation 2.6:

Companies should provide the information indicated in the Guide to reporting on Principle 2.

Disclosure:

Skills, experience, expertise and term of office of each Director

A profile of each director containing their skills, experience, expertise and term of office is set out in the Directors' Report.

The term of appointment for each director is as follows:

Name	Appointed
J Stewart (Chair)	22/02/05
G Dowland	22/02/05
M Blakiston	07/11/03
G Schoch	05/04/05
I Lusted	14/04/08

Identification of Independent Directors

The independent directors of the Company are Michael Blakiston, Graham Dowland and Gren Schoch. These directors are independent as they are non-executive directors who are not members of management and who are free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgment.

Independence is measured having regard to the relationships listed in Box 2.1 of the Principles & Recommendations and the Company's materiality thresholds. The materiality thresholds for reviewing independence for a director are as detailed in principle 1.1 above. The materiality threshold for reviewing independence for a director who is an associate of a business that has a contractual relationship with the Company is 10% of revenue or net assets for either party.

Statement concerning availability of Independent Professional Advice

To assist directors with independent judgement, it is the Board's policy that if a director considers it necessary to obtain independent professional advice to properly discharge the responsibility of their office as a director then, provided the director first obtains approval for incurring such expense from the Chair, the Company will pay the reasonable expenses associated with obtaining such advice.

Nomination Matters

The full Board carries out the role of the Nomination Committee. The full Board did not officially convene as a Nomination Committee during the Reporting Period, however nomination-related discussions occurred from time to time during the year as required. To assist the Board to fulfil its function as the Nomination Committee, it has adopted a Nomination Committee Charter.

The explanation for departure set out under Recommendation 2.4 above explains how the functions of the Nomination Committee are performed.

The Nomination Committee Charter can be found on the Company's website

Additional Securities Exchange Information

Principle 2 – Structure the board to add value (cont'd)

Performance Evaluation

During the Reporting Period an evaluation of the Board, its committees, and individual directors did not formally take place.

Selection and (Re)Appointment of Directors

In determining candidates for the Board, the Nomination Committee (or equivalent) follows a prescribed procedure whereby it considers the balance of independent directors on the Board as well as the skills and qualifications of potential candidates that will best enhance the Board's effectiveness.

The Board recognises that Board renewal is critical to performance and the impact of Board tenure on succession planning. Each director other than the Managing Director, must not hold office (without re-election) past the third annual general meeting of the Company following the Director's appointment or three years following that director's last election or appointment (whichever is the longer). However, a Director appointed to fill a casual vacancy or as an addition to the Board must not hold office (without re-election) past the next annual general meeting of the Company. At each annual general meeting a minimum of one director or a third of the total number of directors must resign. A director who retires at an annual general meeting is eligible for re-election at that meeting. Re-appointment of directors is not automatic.

Principle 3 – Promote ethical and responsible decision-making

Recommendation 3.1:

Companies should establish a Code of Conduct and disclose the code or a summary of the code as to the practices necessary to maintain confidence in the company's integrity, the practices necessary to take into account their legal obligations and the reasonable expectations of their stakeholders and the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

Disclosure:

The Company has established a Code of Conduct as to the practices necessary to maintain confidence in the Company's integrity, practices necessary to take into account their legal obligations and the expectations of their stakeholders and responsibility and accountability of individuals for reporting and investigating reports of unethical practices.

A summary of the Code of Conduct can be found on the Company's website.

Recommendation 3.2:

Companies should establish a policy concerning trading in company securities by directors, senior executives and employees, and disclose the policy or a summary of that policy.

Disclosure:

The Company has established a policy concerning trading in the Company's securities by directors, senior executives and employees.

The Policy for Trading in Company Securities can be found on the Company's website

Recommendation 3.3:

Companies should provide the information indicated in the Guide to reporting on Principle 3.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 4 – Safeguard integrity in financial reporting

Recommendation 4.1:

The Board should establish an Audit Committee.

Disclosure:

The Company has established an Audit Committee.

Recommendation 4.2:

The Audit Committee should be structured so that it:

- consists only of non-executive directors
- consists of a majority of independent directors
- is chaired by an independent Chair, who is not Chair of the Board
- has at least three members.

Disclosure:

The Audit Committee comprises three independent non-executive directors: Graham Dowland (Chair); Michael Blakiston; and Gren Schoch.

Recommendation 4.3:

The Audit Committee should have a formal charter.

Disclosure:

The Company has adopted an Audit Committee Charter which can be found on the Company's website

Recommendation 4.4:

Companies should provide the information indicated in the Guide to reporting on Principle 4.

Disclosure:

The Audit Committee held two meetings during the Reporting Period. The following table identifies those directors who are members of the Audit Committee and shows their attendance at Committee meetings:

Name	No. of meetings attended
Graham Dowland (Chair)	2
Michael Blakiston	2
Gren Schoch	2

Mr Dowland is a qualified chartered accountant. Mr Schoch is the Chair of a Canadian listed corporation. Mr Blakiston has served on the audit committee of a number of ASX listed companies. Further details of each of the director's qualifications are set out in the Directors' Report.

The Company has established procedures for the selection, appointment and rotation of its external auditor. The Board is responsible for the initial appointment of the external auditor and the appointment of a new external auditor when any vacancy arises, as recommended by the Audit Committee (or its equivalent). Candidates for the position of external auditor must demonstrate complete independence from the Company through the engagement period. The Board may otherwise select an external auditor based on criteria relevant to the Company's business and circumstances. The performance of the external auditor is reviewed on an annual basis by the Audit Committee (or its equivalent) and any recommendations are made to the Board.

Additional Securities Exchange Information

Principle 5 – Make timely and balanced disclosure

Recommendation 5.1:

Companies should establish written policies designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior executive level for that compliance and disclose those policies or a summary of those policies.

Disclosure:

The Company has established written policies designed to ensure compliance with ASX Listing Rule disclosure and accountability at a senior executive level for that compliance.

Recommendation 5.2:

Companies should provide the information indicated in the Guide to reporting on Principle 5.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 6 – Respect the rights of shareholders

Recommendation 6.1:

Companies should design a communications policy for promoting effective communication with shareholders and encouraging their participation at general meetings and disclose their policy or a summary of that policy.

Disclosure:

The Company has designed a communications policy for promoting effective communication with shareholders and encouraging shareholder participation at general meetings.

Recommendation 6.2:

Companies should provide the information indicated in the Guide to reporting on Principle 6.

Disclosure:

Please refer to the section above marked Website Disclosures.

Principle 7 – Recognise and manage risk

Recommendation 7.1:

Companies should establish policies for the oversight and management of material business risks and disclose a summary of those policies.

Disclosure:

The Board has adopted a Risk Management Policy, which sets out the Company's risk profile. Under the policy, the Board is responsible for approving the Company's policies on risk oversight and management and satisfying itself that management has developed and implemented a sound system of risk management and internal control.

Under the policy, the Board delegates day-to-day management of risk to the Chief Executive Officer, who is responsible for identifying, assessing, monitoring and managing risks. The Chief Executive Officer is also responsible for updating the Company's material business risks to reflect any material changes, with the approval of the Board.

In fulfilling the duties of risk management, the Chief Executive Officer may have unrestricted access to Company employees, contractors and records and may obtain independent expert advice on any matter they believe appropriate, with the prior approval of the Board.

The Board has established a separate Audit Committee to monitor and review the integrity of financial reporting and the Company's internal financial control systems and risk management systems.

A report by management on the effectiveness of the internal financial control and risk management systems is provided to the Audit Committee on an annual basis.

A report on the effectiveness of the risk management system in managing material business risks is prepared by management and provided to the Board on an annual basis.

In addition, the following risk management measures have been adopted by the Board to manage the Company's material business risks:

- the Board has established financial control procedures to manage expenditure commitments and approval of payments for both capital and operational expenditure;
- preparation and approval of an annual budget;
- the Board has adopted a compliance procedure for the purpose of ensuring compliance with the Company's continuous disclosure obligations; and
- the Board has adopted a corporate governance manual which contains other policies to assist the Company to establish and maintain its governance practices

In October 2009, the Company implemented a formal system for managing its material business risks. This system includes a risk register which is prepared by management to identify the Company's material business risks and risk management strategies for these risks. The risk register is reviewed at least quarterly and updated, as required, Management reports to the Board on material business risks at each Board meeting.

Additional Securities Exchange Information

Principle 7 – Recognise and manage risk (cont'd)

The categories of risk identified as part of the Company's risk management system are:

- Market related
- Financial reporting
- Operational
- Technological
- Economic cycle
- Reputation
- Legal and compliance

Prior to October 2009, the Company managed its material business risks using a range of previously implemented informal policies and procedures.

Recommendation 7.2:

The Board should require management to design and implement the risk management and internal control system to manage the Company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the Company's management of its material business risks.

Disclosure:

The Board has required management to design, implement and maintain risk management and internal control systems to manage the Company's material business risks. The Board also requires management to report to it confirming that those risks are being managed effectively. Further, the Board has received a report from management as to the effectiveness of the Company's management of its material business risks.

Recommendation 7.3:

The Board should disclose whether it has received assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Disclosure:

The Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) have provided a declaration to the Board in accordance with section 295A of the Corporations Act and have assured the Board that such declaration is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial risk.

Recommendation 7.4:

Companies should provide the information indicated in the Guide to reporting on Principle 7.

Disclosure:

The Board has received the report from management under Recommendation 7.2.

The Board has received the assurance from the Chief Executive Officer (or equivalent) and the Chief Financial Officer (or equivalent) under Recommendation 7.3.

Principle 8 – Remunerate fairly and responsibly

Recommendation 8.1:

The Board should establish a Remuneration Committee.

Disclosure:

The Company has established a Remuneration Committee.

Recommendation 8.2:

Companies should clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives.

Disclosure:

Non-executive directors are remunerated at a fixed fee for time, commitment and responsibilities. Remuneration for non-executive directors is not linked to individual performance. From time to time the Company may grant options to non-executive directors. The grant of options is designed to recognise and reward efforts as well as to provide non-executive directors with additional incentive to continue those efforts for the benefit of the Company.

Pay and rewards for executive directors and senior executives consists of a base salary and performance incentives. Long term performance incentives may include options or performance rights granted at the discretion of the Remuneration Committee and subject to obtaining the relevant approvals. Executives are offered a competitive level of base pay at market rates and are reviewed annually to ensure market competitiveness.

Recommendation 8.3:

Companies should provide the information indicated in the Guide to reporting on Principle 8.

Disclosure:

Details of remuneration, including the Company's policy on remuneration, are contained in the "Remuneration Report" which forms of part of the Directors' Report.

The Remuneration Committee held one meeting during the Reporting Period.

The following table identifies those directors who are members of the Remuneration Committee and shows their attendance at Committee meetings:

Name	No. of meetings attended
Graham Dowland (Chair)	1
Gren Schoch	1
Michael Blakiston	1

There are no termination or retirement benefits for non-executive directors (other than for superannuation).

The Company's Policy for Trading in Company securities prohibits transactions in associated products which limit the risk of participating in unvested entitlements under any equity based remuneration schemes. The Policy for Trading in Company Securities can be found on the Company's website.

Additional Securities Exchange Information

The shareholder information set out below was applicable as at 30 September 2010.

1. Twenty largest shareholders

Ordinary shares	Number	Percentage
JP Morgan Nominees Australia Ltd	26,719,924	9.62%
National Nominees Ltd	15,597,604	5.61%
Carolyn Ann Stewart <Leake Street A/C>	14,382,884	5.18%
HSBC Custody Nominees Australia Ltd	11,420,062	4.11%
JP Morgan Nominees Australia Ltd <Cash Income A/C>	8,334,866	3.00%
Reef Inv Pty Ltd <TD Nairn Superfund A/C>	5,302,540	1.91%
Haifa Pty Ltd	5,085,952	1.83%
Kenny John Damien <JDK A/C>	4,575,233	1.65%
Berne No 132 Nominees Pty Ltd <492086 A/C>	3,596,554	1.29%
Cardaci Marcello Davide <MD Cardaci Family Fund>	3,430,357	1.23%
Fiske Nominees Ltd <MARBL 001 A/C>	3,223,603	1.16%
Stewart JK & CA <Epicure Superfund A/C>	2,863,437	1.03%
First Farley Pty Ltd <Superfund A/C>	2,515,928	0.91%
Hazardous Inv Pty Ltd	2,492,337	0.90%
Fiske Nominees Ltd <MIDOC 002 A/C>	2,471,825	0.89%
Midbridge Inv Pty Ltd	2,242,490	0.81%
Citicorp Nominees Pty Ltd	2,188,227	0.79%
Veall Martin Charles <MCV S/F A/C>	2,044,000	0.74%
Helmet Nominees Pty Ltd <Tim Weir Family Fund>	2,023,450	0.73%
Asprey Pty Ltd	2,022,884	0.73%
Total top 20	**122,534,157**	**44.12%**
Other	155,331,185	55.88%
Total ordinary shares on issue	**277,865,342**	**100.00%**

2. Substantial shareholders

Set out below are the names of the substantial holders and the number of equity securities held by those substantial holders (including those equity securities held by their associates), as disclosed in the substantial holding notices given to the company:

Shareholder	Number of shares	Percentage
JP Morgan Asset Management (UK) Limited	20,000,000	7.26%
Carolyn Ann Stewart	17,246,321	6.23%

3. Distribution of equity securities

	Ordinary shares	Unlisted options
1 - 1,000	462	-
1,001 - 5000	470	-
5,001 - 10,000	324	-
10,001 - 100,000	936	-
100,001 - and above	351	3
	2543	3
Unmarketable parcels	331	-

4. Unquoted securities

The names of the holders holding more than 20% of each class of unlisted securities are set out below:

	Number
Ms Sally Ann Bult	750,000
R11 Capital Pty Ltd	500,000

5. Voting rights

See Notes 15 and 17 to the Financial Statements.

6. On-market buy back

There is currently no on-market buy back program for any of Aurora's listed securities.

7. Company secretary, registered and principal administrative office and share registry

Details can be found in the Corporate Directory at the beginning of the Annual Report.

8. List of interests in petroleum leases

Details of the Company's interests in petroleum leases in the USA can be found in note 22 to the Financial Statements.

www.auroraoag.com.au

aurora oil & gas limited

ABN 90 008 787 988

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