aurora oil & gas limited
ABN 90 008 787 988

29 January 2010

Company Announcements Platform
Australian Securities Exchange
Level 4
20 Bridge Street
SYDNEY NSW 2000

By e-Lodgement

Dear Sir/Madam

QUARTERLY REPORT FOR THE PERIOD ENDED 31 December 2009

OPERATIONS UPDATE

Aurora Oil & Gas ("Aurora") is pleased to provide the market with an update on the company's projects and in particular the Sugarkane Gas and Condensate field in South Texas.

Aurora Quarterly ASX report

During the reporting period:-

- Following the recent farmin to Aurora's Sugarkane assets by Hilcorp Energy ("Hilcorp"), this reporting period has seen an acceleration of operations under the associated work program.
- Regional Eagle Ford shale activity has continued to increase with new entrants, further positive results and a level of interest that puts the play amongst the most sought after of the US shales.
- The Company sold its interests in the West Black Lake project and had sold the majority of its interests in the Flour Bluff Gas Field.
- Aurora repaid and cancelled its Bank of Scotland International ("BOSI") debt facility.

Sugarkane Gas and Condensate Field

Overview

Aurora presently holds over 20,000 net acres within the Sugarkane Gas and Condensate field and participates in over 50,000 acres which is divided into three Areas of Mutual Interest (AMIs). The Sugarkane reservoir is a regional pool, estimated at 200,000 acres, of naturally fractured Austin Chalk graduating down into a regional Eagle Ford shale trend. These two horizons form a continuous reservoir at Sugarkane, as certified by the Texas Railroad Commission ("TRRC"), which is over pressured and contains condensate rich gas.

There have now been 15 recent wells drilled into the Sugarkane Field, with 2 more wells presently underway and another 8 older wells with modern logs that help to delineate the area. All available data from these penetrations support that they have encountered a correlatable section of Eagle Ford/Austin Chalk and where tested have produced a consistent hydrocarbon to surface. Production was suspended during the quarter from Kennedy #1H and Kowalik #1H in preparation for the fracture stimulation program, but there is now approximately one year of production data from each well.

The Eagle Ford Shale trend is now one of the pre-eminent unconventional gas resources onshore in the USA. Major US and international companies have made announcements of significant acreage acquisitions and drilling activity surrounding Aurora's acreage. Initial results continue to support the premise that the Eagle Ford shale is one of the most economic within the USA. Within the trend and based on publically available initial production rates, three of the best results, on a gas equivalent basis, are from wells drilled within or on the boundary of the Sugarkane field.

Under the terms of the Farmout, Aurora is free carried for the stimulation of the three existing Sugarloaf wells and the drilling, completion and tie into production of a further 7 new wells (3 wells within Sugarloaf AMI, 3 wells within the Longhorn AMI and 1 well within the Ipanema AMI). The farminee receives a preferential repayment of costs from the wells drilled where once satisfied, Aurora receives income based on its farmed down interest.

Sugarkane Field

The field was originally delineated after two vertical wells encountered a consistent Austin Chalk section at approximately 11,000 ft true vertical depth ("TVD"). Aurora participated in one of these wells, the Sugarloaf #1 well, and also elected to participate with Texas Crude Energy Inc ("TCEI") in the subsequent land acquisition program which led to the formation of two additional AMIs and incrementally built up the Aurora land position to the following holdings (pre farmout).

	Gross Acreage	Net Acreage
Sugarloaf	23,498	4,780
Longhorn	23,763	11,881
Ipanema	4,530	3,624
Total	**51,791**	**20,285**

The latest geological model of the Sugarkane Gas and Condensate field consists of a localised pool of over-pressured Austin Chalk directly above a regionally extensive over pressured Eagle Ford organic shale. Gross reservoir thickness across the Sugarkane field is between 180 – 250 ft, which is controlled by at least 8 fully logged historical wells (plus a large number of wells with less than full log suites available) and 15 modern wells drilled in the last 4 years. It is also controlled by 2D seismic with partial coverage by a 3D seismic survey. Whilst a distinction has previously been made between the two horizons, they act as a single reservoir and have many similarities including lithology with calcareous (Chalk) interbedding being evident down through the Eagle Ford reservoir. Production from the Sugarkane Field has been fairly consistent across all of the recently producing wells. Gas being produced is very rich with 1,250 British Thermal Units per cubic feet of gas ("BTU/scf") and a very high condensate ratio of 100 – 300 barrels per million cubic feet of gas ("bbls/mmscf").

Farmout Program

On the 21st Sept 2009 Aurora announced the successful farmout of its interests within the Sugarkane field to Hilcorp Energy, the 4th largest private E&P company in the USA.

The key elements of this farmout for Aurora are as follows:-

- The farmin by an established and material company such as Hilcorp to the Sugarkane field is a significant endorsement of the multi Tcfe potential and value of this gas and condensate asset.

- Aurora will be free carried for the drilling, completion and tie in of up to 7 new horizontal wells and the stimulation of the three existing Sugarloaf horizontal wells; Kennedy #1H, Kowalik #1H and Weston #1H. This will establish a total of 10 wells on production across Aurora's acreage of which 6 will be within the Sugarloaf AMI, 3 in Longhorn and 1 in Ipanema. Under the terms of the farmout this work program has a series of deadlines over the subsequent 20 months.

- The Farminee will earn an interest in Aurora's acreage incrementally as each farmin activity is completed up to a maximum of 50% of Aurora's interest in Sugarloaf and Longhorn AMIs and 5/8ths of the smaller Ipanema AMI.

- Once drilled, the first well within each of the Longhorn and Ipanema AMIs will be considered as having met Aurora's obligation well commitments within those AMIs.

- Aurora believes that this additional activity within the Sugarkane Field, together with the considerable ongoing regional activity within the Eagle Ford Shale play will continue the process of demonstrating and establishing the considerable value of our holdings in the Sugarkane Field.

Sugarloaf AMI

Having completed the farmin transaction, preparation and planning activity commenced immediately at the three existing Sugarloaf wells which were to be stimulated in Phase 1.

The Phase 1 fracture stimulation design treats the horizontal reservoir section in a number of separate stages with isolation plugs being set between each stage. The wells were prepared by recovering existing completions where deployed, cleaning out wells and testing integrity for the high pressures associated with the fracturing operations. On Kowalik #1H an attempt to pull the slotted liner proved problematic and the decision was made to revert to alternative completion and stimulation plans. The water required for the stimulations was sourced through dedicated wells and holding pits at each location. These were also linked to provide infrastructure for future work.

The actual stimulation operations commenced on 28th Dec 2009 at the Kowalik #1H well. A large stimulation was successfully pumped across the slotted liner in this well but subsequent operational complications have prevented the well from being tested at this point in time. After the reporting period, but prior to writing this report, stimulation activity has commenced on the Kennedy #1H well and the first new well at Sugarloaf under the farmin terms, the Easley #1H well, has been spudded.

Under the terms of the farmout, Aurora contributes to ongoing lease maintenance activities on a post farmout basis. Lease management is a continuous process and is expected to represent Aurora's only material application of its capital reserves to Sugarkane in the near future.

Netherland, Sewell & Associates Inc ("NSAI") resource report

NSAI have provided the following net contingent resource estimates for the Aurora pre-farmout interests.

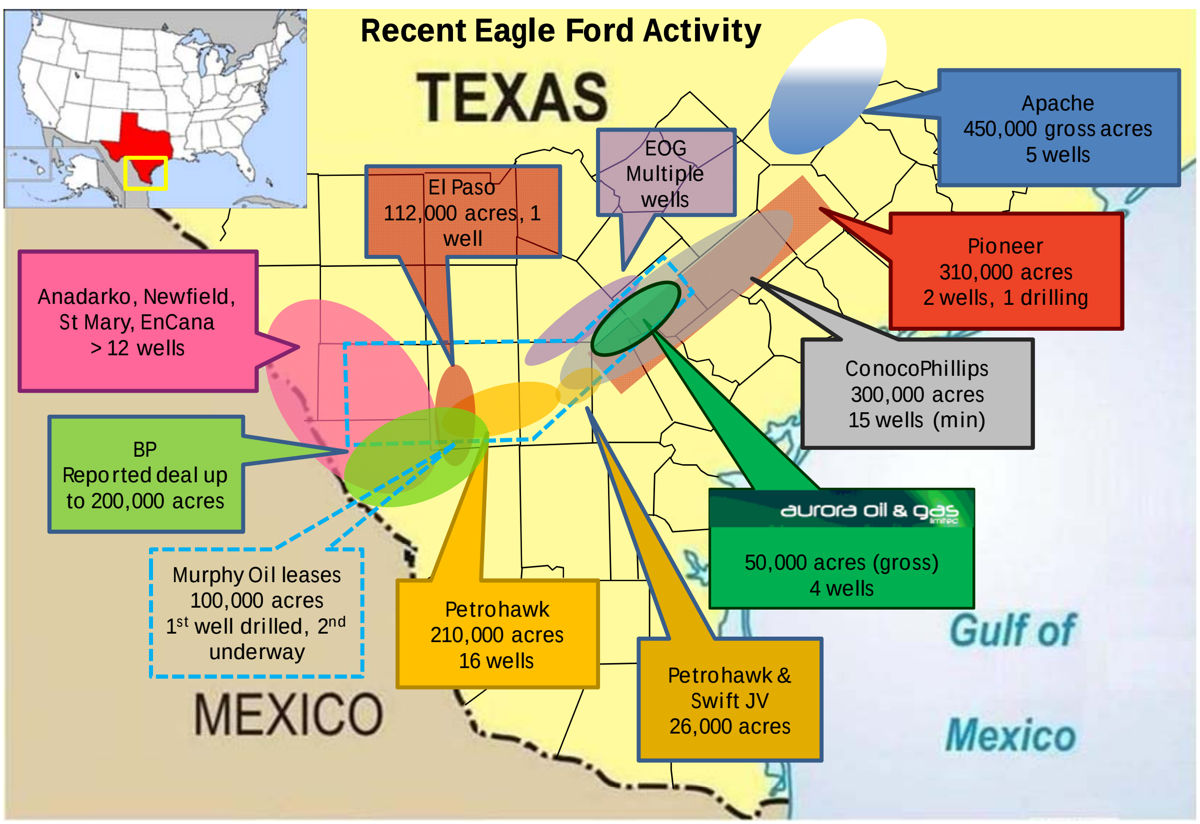
	Working Interest Contingent Resources					
	Gas (BCF)			Condensate (MMBBLS)		
Reservoir	Low Estimate (1C)	Best Estimate (2C)	High Estimate (3C)	Low Estimate (1C)	Best Estimate (2C)	High Estimate (3C)
Austin Chalk	81	148	277	14	27	54
Eagle Ford Shale	129	243	475	22	45	93

The figures in the above table are net recoverable estimates for Aurora, but are before royalty payments and before the farmout. The estimates have been prepared in accordance with the definitions and guidelines set forth in the 2007 Petroleum Resources Management System approved by the Society of Petroleum Engineers. The contingent resource estimates in the above table represent recoverable volumes with a confidence probability of 90%, 50% and 10% respectively for the low, best and high estimates. As contingent resources they have been sub-classified as 'development pending' because further appraisal activities are required to demonstrate viable economics, but NSAI conclude that '*Based on analogous field* *developments, it appears that the best estimate contingent resources in this report have a reasonable chance of being commercial.*'

In arriving at the above estimates, NSAI have applied conservative recovery rates significantly lower than used by a number of competitor companies in their estimates. Assumptions such as recovery factors will be regularly reviewed as actual well results are accumulated.

Regional Eagle Ford Shale activity

Over the last year drilling activity and leasing within South Texas has defined a regional trend which has become known as the Eagle Ford Shale play. As early as 2007 Aurora advised shareholders that at Sugarkane, in addition to the Austin Chalk reservoir there appeared to be a connected extension to that horizon that consisted of interbedded chalk and rich organic shale. Since companies began reporting their regional activity in Q4 2008, it has become clear that this extension is part of the Eagle Ford Shale play. The map below provides an update on recent activity.



The map illustrates the disclosed positions of a number of major US oil and gas companies who have made announcements regarding their participation in the Eagle Ford shale. ConocoPhillips (NYSE:COP) has stated they have about 300,000 acres that includes significant holdings adjacent to our interests to both the south-east and north. They are bookended by Petrohawk Energy Corporation (NYSE:HK) with 225,000 acres to the southeast and Apache Corporation (NYSE:APA) to the north. Pioneer Natural Resources (NYSE:PXD) has acreage to the south and east, Murphy Oil Corporation (NYSE:MUR) has acreage to the north and south, while Anadarko Petroleum Corporation (NYSE:APA) and St. Mary Land & Exploration Company (NYSE:SM) are developing some 345,000 and 225,000 acres respectively to the west.

Petrohawk has provided the most public information to date. Based on their presentation dated 12th Jan 2010, they have drilled 27 wells and have 16 operated wells on production with an average initial rate of 7.8 mmcf/d and 143 bpd condensate (8.7 mmcfe/d or 10.0 mmcfe/d using a 6:1 calorific conversion or 15:1 ratio based on current relative fiscal conversion for condensate). They have continued to acquire land on trend towards the Sugarkane field in a venture with Swift Energy.

Recent announcements have been made relating to nearby Eagle Ford Shale wells which are located just outside the Sugarkane Field. Pioneer released the results of the Sinor #5 well in Live Oak County which is some 18 miles southwest of the Sugarloaf #1 well. Initial rates of 8.3 mmscf/d of gas and 500 bpd of condensate from a 2,600 ft horizontal section have been reported. Pioneer have also reported the results of the Robert Crawley Gas Unit #1 well, which is a few miles to the southeast of Sinor #5 at 17 mmscf/d IP (dry gas). ConocoPhillips provided the results of their Bordovsky #1H well as having initial production of 4 mmscf/d of gas and 1500 bpd of condensate. This well is 18 miles to the northeast of the Sugarloaf #1 well and has exhibited a high condensate ratio which is comparable to that observed in Sugarloaf AMI production to date. These three results, on a gas equivalent basis, represent some of the highest initial rates in the trend that have been publically released.

To date we estimate that there have been over 70 wells reportedly drilled within the regional Eagle Ford play and an analysis of recent announcements indicate that this activity will continue to accelerate in 2010. Petrohawk suggests "*the Eagle Ford shale in this particular area is one of the highest quality shale reservoirs discovered to date in the United States.*" The results that we have reviewed and the information released regarding initial flow rates, production decline curve, condensate levels, porosity, organic content, estimated in place resource per unit etc are not only excellent reference points for Sugarkane, but also give us confidence in terms of the relative quality of our acreage.

Flour Bluff - (AUT working interest 20%)

As announced on the 16 Dec 2009, Aurora has sold the majority of its interests in Flour Bluff at auction. Whilst Aurora still awaits confirmation of final figures, the total consideration is approximately US$0.4m in cash together with the adoption of any liabilities associated with the abandonment of the existing wells and infrastructure. The assets sold included interests in the existing wells, infrastructure and processing facilities together with all the acreage at East Flow Bluff and Pitta Island as well as the majority of acreage at Flour Bluff. Aurora elected to retain its interest in approximately 1400 acres at Flour Bluff which contain undrilled exploration upside and is held by production. The decision to sell these assets was taken following an analysis of future capital requirements versus residual value within the context of the company's overall portfolio.

As part of this rationalization of assets, the Bank of Scotland International ("BOSI") US$10 million loan facility was fully repaid and cancelled.

West Black Lake

Aurora's interest in the Delores #1 well and associated production facilities was also sold at auction with Flour Bluff. Aurora waits on confirmation of the final figures and whilst they are not expected to be material for the company the terms included liability for abandonment of the well and facilities.

CORPORATE

QUARTERLY CASH FLOW REPORT FOR THE PERIOD ENDED 30 DECEMBER 2009

Please find attached the Company's Appendix 5B for the period to 30 December 2009.

Yours sincerely

AURORA OIL & GAS LIMITED

Jon Stewart
EXECUTIVE CHAIRMAN

This report contains some references to forward looking assumptions, estimates and outcomes. These are uncertain by nature and no assurance can be given by Aurora that its expectations, estimates and forecast outcomes will be achieved.

Technical information contained in this report in relation to the Sugarloaf project and Sugarkane field was compiled by Aurora from information provided by the project operator and other publicly available sources. It has been reviewed by I L Lusted, BSc (Hons), SPE, a Director of Aurora who has had more than 15 years experience in the practice of petroleum engineering. Mr Lusted consents to the inclusion in this report of the information in the form and context in which it appears.

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Rule 5.3

Appendix 5B

Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

AURORA OIL & GAS LIMITED

ABN	Quarter ended ("current quarter")
90 008 787 988	31 December 2009

Consolidated statement of cash flows

		Current quarter $A'000	Year to date (6 months) $A'000
	Cash flows related to operating activities		
1.1	Receipts from product sales and related debtors	110	274
1.2	Payments for (a) exploration and evaluation	(571)	(719)
	(b) development	(131)	(131)
	(c) production	-	(176)
	(d) administration	(541)	(1,364)
1.3	Dividends received	-	-
1.4	Interest and other items of a similar nature received	66	98
1.5	Interest and other costs of finance paid	-	-
1.6	Income taxes paid	-	-
1.7	Other	-	-
	Net Operating Cash Flows	(1,067)	(2,018)
	Cash flows related to investing activities		
1.8	Payment for purchases of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.9	Proceeds from sale of: (a) prospects	-	-
	(b) equity investments	-	-
	(c) other fixed assets	-	-
1.10	Loans to other entities	-	-
1.11	Loans repaid by other entities	-	-
1.12	Other (provide details if material)	-	-
	Net investing cash flows	-	-
1.13	Total operating and investing cash flows (carried forward)	(1,067)	(2,018)

1.13	Total operating and investing cash flows (brought forward)	(1,067)	(2,018)
	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	23	23
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	(3,639)	(3,639)
1.18	Dividends paid	-	-
1.19	Other		
	Loan Facility Costs	(49)	(97)
	Issue Costs	(2)	(2)
	Net financing cash flows	(3,667)	(3,715)
	Net increase (decrease) in cash held	(4,734)	(5,733)
1.20	Cash at beginning of quarter/year to date	9,550	10,873
1.21	Exchange rate adjustments to item 1.20	(71)	(395)
1.22	**Cash at end of quarter**	4,745	4,745

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter $A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	(192)
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil

1.25 Explanation necessary for an understanding of the transactions

Directors' fees and consulting fees and serviced office rental. All payments are on commercial terms.

Non-cash financing and investing activities

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

N/A

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available $A'000	Amount used $A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

		$A'000
4.1	Exploration and evaluation	100
4.2	Development	-
	Total	100

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.		Current quarter $A'000	Previous quarter $A'000
5.1	Cash on hand and at bank	397	3,403
5.2	Deposits at call	4,348	6,147
5.3	Bank overdraft	-	-
5.4	Other (provide details)	-	-
	Total: cash at end of quarter (item 1.22)	4,745	9,550

Changes in interests in mining tenements

		Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	Flour Bluff (Onshore)	Working Interest	20% WI in 2,936 net acres	20% WI in 1,400 net acres (approx)
		East Flour Bluff Gas Unit	Working Interest	24% WI in 4,963 net acres	-
		Pita Island Gas Unit	Working Interest	20% WI in 2,070 net acres	-
		West Black Lake	Working Interest	40.3% WI	-

6.2	Interests in mining tenements acquired or increased	None	Nil		

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	**Preference +securities** *(description)*	-	-	-	-
7.2	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3	**+Ordinary securities**	202,589,962	202,589,962	Various	Fully Paid
7.4	Changes during quarter				
	(a) Increases through issues				
	Placement	-	-	-	-
	Option Exercise	-	-	-	-
	(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5	**+Convertible debt securities** *(description)*	-	-	-	-
7.6	Changes during quarter				
	(a) Increases through issues	-	-	-	-
	(b) Decreases through securities matured, converted	-	-	-	-
7.7	**Options** (i)			*Exercise price*	*Expiry date*
	Consolidation Options	8,000,000	-	$0.19	22 Feb 2010
	Loan Options	2,875,000	-	$0.19	14 Apr 2010
	Director Options	1,000,000	-	$0.29	14 Apr 2010
	Note Conversion Options	4,285,714	-	$0.24	14 Apr 2010
	Consultant Options	1,833,000	-	$0.29	28 Apr 2010
	New Consultant Options	25,000	-	$0.53	30 Sep 2010
	New Consultant Options	2,000,000	-	Various	30 Sep 2010
	Consultant Options	250,000	-	$0.60	31 Dec 2011
	Incentive Options	500,000	-	$0.50	30 Mar 2011
	Consultant Options	500,000	-	$0.70	31 Dec 2011
		21,268,714			
7.8	Issued during quarter Upon exercise each option entitles the holder to one ordinary share which will rank pari passu in all respects with the Company's then issued shares.	-	-	-	-
7.9	Exercised during quarter Incentive Options	-	-	-	-
7.10	Expired during quarter	-	-	-	-
7.11	**Debentures** *(totals only)*	-	-	-	-
7.12	**Unsecured notes** *(totals only)*	-	-	-	-

Compliance statement

1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX.

2 This statement does give a true and fair view of the matters disclosed.

Sign here: (~~Director~~/Company Secretary) Date: 29 January 2010

Print name: Julie Foster