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15th December 2010

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

By e-Lodgement

AURORA TO RAISE A\$120 MILLION TO FUND EAGLE FORD SHALE ACQUISITION

- **Underwritten placement to raise approximately A\$120 million**
- **US\$120 million Eagle Ford Shale Acquisition fully funded**
- **Acquisition provides increased working interest in 'liquids rich' Sugarkane Field**
- **Development funding for increased position in place**

A\$120 million Equity Raising

Aurora Oil & Gas Limited (ASX:AUT) (**Aurora**) is pleased to announce it has reached agreement for a A\$120 million underwritten equity raising via a two tranche offering of 75.0 million securities consisting of 68.562 million ordinary shares (**Shares**) at A\$1.60 per Share and 6.438 million special warrants (**Special Warrants**) at C\$1.60 per Special Warrant to institutional and sophisticated investors (**Underwritten Placement**). The Underwritten Placement issue price represents a 9% discount to the five day volume weighted average price of Shares prior to announcement of the Acquisition (as defined below).

As previously announced, Aurora has agreed to acquire additional working interests across the three Areas of Mutual Interest (**AMI's**) in which it currently participates (Longhorn, Ipanema and Sugarloaf) and a fourth adjacent area known as Excelsior (**Acquisition**) for US\$120 million cash. All four AMI's are located within the Sugarkane Field, onshore United States, in the liquids rich area of the Eagle Ford shale trend

Euroz Securities Limited is acting as Lead Manager and Underwriter for A\$60 million of the offering, with TD Securities Inc. and GMP Securities L.P (as Co-Lead Underwriters) together with FirstEnergy Capital Corp underwriting A\$60 million of the offering.

Executive Chairman of Aurora Jon Stewart commented, "We are delighted by the response of existing and new shareholders, including a number of new international shareholders, to this highly accretive acquisition which will see Aurora's net 3P reserves increasing 50% to 84 million barrels of oil equivalent. I expect this transaction to be a successful one for all shareholders."

"Combined with existing cash reserves, the Underwritten Placement will provide Aurora with sufficient funds to close the Acquisition before the end of this calendar year, and around A\$90 million to fund a larger development campaign associated with the increased Sugarkane Field working interests. Aurora remains conservatively funded with significant cash reserves and no debt. I am appreciative of the very significant efforts of Aurora staff and advisors, the Vendor and their advisors and our Lead brokers Euroz Securities, TD Securities and GMP Securities for their considerable contributions to the transaction in a tight timeframe."

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Sugerkane Field Acquisition

Key aspects of the Acquisition are as follows:

- Acquisition of 3/16ths of an existing joint venture partner's working interest in three Sugarkane Field AMIs which Aurora already participates in, plus exposure to an additional AMI, being Excelsior.
- Aurora acquires an additional 5,100 net acres, increasing its total Sugarkane Field net acreage by approximately 50% to over 15,600 acres.
- Aurora acquires estimated additional net 3P reserves of 28 mmboe, increasing Aurora's net 3P reserves by 50% to 84 mmboe.
- The acreage to be acquired is all located within what Aurora considers to be the "sweet spot" of the Eagle Ford Shale trend.
- All additional acreage operated by Hilcorp Energy Inc.
- The Acquisition involves additional acreage within the Company's existing area of focus and represents a low risk acquisition of acres under development.
- The enlarged reserves position offers significant growth potential with the same potential reserves upside identified by Aurora in its existing interests.
- Aurora will now participate in approximately 60 new wells during calendar year 2011 for a total of approximately 80 wells across the 4 AMI's by the end of 2011.
- Settlement of the Acquisition is scheduled to occur before year end.

Underwritten Placement

The Underwritten Placement will be made in two tranches:

- Tranche 1 comprising the placement of 45,250,920 Shares to raise A\$72,401,472 and 3,589,080 Special Warrants to raise C\$5,742,528 (before costs of issue) to be issued under the Company's 15% capacity under Australian Securities Exchange Limited (**ASX**) Listing Rule 7.1; and
- Tranche 2 comprising the placement of 23,311,080 Shares to raise A\$37,297,728 and 2,848,920 Special Warrants to raise C\$4,558,272 (before costs of issue), subject to shareholder approval at a general meeting to be held on or around Monday, 24 January 2011. Tranche 2 is also conditional upon completion of the Acquisition by 24 January 2011. The Acquisition is expected to close by 31 December 2010.

The ordinary shares will rank equally with existing fully paid ordinary shares. Each of the Special Warrants is exercisable at any time to acquire, without additional consideration, one ordinary share in the capital of the Company which will rank equally with existing ordinary shares.

Following the completion of Tranche 1, the Company intends to file a prospectus in Canada qualifying the distribution of the ordinary shares issuable upon the exercise of the Special Warrants not previously converted.

Each Special Warrant converts to one Share on the date that is three Business Days following the date of issue of the receipt for the final prospectus to qualify the distribution of the Shares underlying the Special Warrants in Canada; or at any time before that date at the election of the holder in accordance with the Special Warrant Indenture governing the issuance of the Special Warrants.

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Settlement of Tranche 1 of the Underwritten Placement is expected to occur on or around 22 December 2010 and settlement of Tranche 2 is expected to occur on or around 25 January 2011 (subject to shareholder approval and closing of the Acquisition).

Use of Funds

The proceeds from the Underwritten Placement (net of underwriters fees and transaction costs) will be used:

- to fund the Acquisition;
- to fund the Company's share of further drilling costs associated with its existing and expanded position via the Acquisition within the Sugarkane Field; and
- to fund general working capital.

Yours sincerely

AURORA OIL & GAS LIMITED

Jon Stewart
Executive Chairman

Technical information contained in this report in relation to the Sugarkane Field was compiled by Aurora from information provided by the project operator and 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.

This news release shall not constitute an offer to sell or the solicitation of an offer to buy securities in the United States nor shall there be any sale of the securities in any jurisdiction in which such an offer, solicitation or sale would be unlawful. The securities offered have not been, and will not be, registered under the United States Securities Act of 1933, as amended (the Securities Act), or any state securities laws and may not be offered or sold in the United States or to U.S. persons (as defined in Regulation S under the Securities Act) except in compliance with the registration requirements or an applicable exemption from the registration requirements of the Securities Act and applicable state securities laws.

This document contains forward-looking statements which reflect management's expectations regarding expected target dates. These forward-looking statements relate to, among other things, the expected closing dates of tranches 1 and tranche 2, the closing date of the acquisition and the date that the Canadian prospectus will be filed, and can generally be identified by words such as "will", "expects", "intends", or similar expressions. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. These statements are not historical facts but instead represent management's expectations, estimates and projections regarding future events. Statements relating to "reserves" or "resources" are deemed to be forward-looking statements, as they involve the implied assessment, based on certain estimates and assumptions, that some or all of the resources and reserves described can be profitably produced in the future.

Although management believes the expectations reflected in such forward-looking statements are reasonable, forward-looking statements are based on the opinions, assumptions and estimates of management at the date the statements are made, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or results to differ materially from those projected in the forward-looking statements. In addition, if any of the assumptions or estimates made by management prove to be incorrect, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this document. Such assumptions include, but are not limited to, general economic, market and business conditions and corporate strategy. Accordingly, investors are cautioned not to place undue reliance on such statements.

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

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