

31 January 2008

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

**By e-Lodgement**

Dear Sir/Madam

## **QUARTERLY REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007**

### **HIGHLIGHTS**

- **Deepest zone tested within the Austin Chalk formation in Sugarloaf-1 well**
- **First horizontal appraisal well (Kennedy 1H) drilled at Sugarloaf**
- **Encouraging results observed from wells drilled on land adjacent to Aurora's acreage at Sugarloaf, Longhorn and Ipanema projects**
- **Gawler Resources merger with Elixir Petroleum completed, Aurora now holds 12.5% of the merged group**
- **Elixir receives first proceeds from gas-condensate production at High Island and subsequent to period end has drilling success in second offshore US project**
- **Completion of an underwritten 1 for 10 Non Renounceable Rights Issue to raise an additional \$9.6 million for the Company**
- **Schoenfield #1 well at El Fatso project drilled to TD, logging indicates not commercial.**
- **Year-end cash balances of \$19.3 million.**

### **CORPORATE**

At 31 December 2007 the Company had cash reserves of approximately \$19.3 million having prepaid approximately \$1.2 million towards future seismic, infrastructure and drilling obligations (including the costs of drilling Schonfield #1).

On 15 November 2007 the Company announced the completion of the final stage of its underwritten 1 for 10 non-renounceable entitlement issue ("Rights Issue") first announced on 23 July 2007. The Rights Issue raised approximately \$9.6 million before costs which will be applied towards drilling, infrastructure, seismic and land acquisition activities on the Company's US oil & gas projects and for general working capital.

### **OPERATING**

Activity has continued across the portfolio. An outline update of each of our projects is provided below.

#### ***Sugarloaf Prospect (20% Working Interest) Texas, USA***

As previously reported, the upper (or shallower) zone of possible gas pay in the Austin Chalk at the Sugarloaf-1 well is believed to correlate with the producing zone in a competitor company's new field discovery well located 6.6 kilometres west of the Sugarloaf-1 well. The new discovery is

known as the Sugarkane Gas Field ("Sugarkane Field"). Aurora has no interest in that discovery well or the lease holdings immediately surrounding that well. The discovery well has been producing gas and condensate continuously for more than 12 months.

On 14 January 2008, Aurora notified ASX that information regarding two further wells on the Sugarkane field had been announced by London AIM market listed Empyrean Energy plc. While Aurora holds no interest in those wells, the gas shows and flares reported during drilling provide further encouragement in terms of the possible existence of permeable natural fracture systems in this productive formation which is believed to extend over the Sugarloaf Joint Venture area and the significant adjacent acreage in which Aurora participates (approximately 20,000 acres at Sugarloaf, 20,000 acres at Longhorn and 6,000 acres at Ipanema). This announcement indicated testing of these wells was imminent.

### ***Sugarloaf - 1 Well***

As previously disclosed, following a detailed study of the Austin Chalk Formation, the Operator designed a program to separately fracture stimulate and test each of 3 zones sequentially starting with the deepest zone and moving up the well to the more prospective shallower zone.

Fracture stimulation operations of the deepest zones at Sugarloaf-1 commenced in September 2007. The first attempt to frac this zone was halted after a screen-out. The Joint Venture participants adopted a revised frac design and program to re-frac this zone after a workover rig had washed the proppant out of the well bore. After the second frac operation flow testing produced gas at a maximum rate of 387,000 cubic feet per day. During testing a total of 51 barrels of condensate and 391 barrels of water (mostly frac fluid but with formation water being produced in the latter stages of the test) were also recovered. Analyses of the formation water are characteristic of a formation below the Austin Chalk and it is considered likely that the frac penetrated to below the Austin Chalk target zone and is allowing water production into the well.

The well is currently shut-in and the Operator, Texas Crude Energy Inc. intends to test the Kennedy-1H well before further tests are carried out on the middle and upper zones.

### ***Kennedy-1H Well***

The second exploration well in the Sugarloaf Project, Kennedy-1H, reached Total Depth of 16,750 feet Measured Depth in mid-November 2007. After logging operations over the open horizontal portion of the well had been completed, a 4½ inch liner was run to a Total Depth of 16,530 feet and cemented in place.

The zone targeted by the horizontal section is believed to correlate with the producing section in the Sugarkane Field discovery well located some 8 kilometres to the west and the upper of the three zones of possible gas pay defined in the Sugarloaf-1 well located approximately 1.6 kilometres to the east. Horizontal drilling was selected as successful horizontal wells commonly produce at rates several times that of vertical wells at the same point in the reservoir.

Interpretation of the logs indicated several extended zones of potential pay in the upper part of the Austin Chalk and are encouraging in their own right. As this horizontal well represents the early stage in the appraisal of a new reservoir and stratigraphic play it requires the careful selection of a

fracture stimulation program to optimise the flow and recoverability of any hydrocarbons. Preparations for the planned extensive fracture stimulation testing program are continuing. The timing of completion operations remains subject to the finalisation of completion design and sourcing of services but is intended to be undertaken as soon as practical.

### ***Longhorn & Ipanema Prospects, Texas (50% Working interest in Longhorn and 80% Working Interest in Ipanema)***

The Longhorn and Ipanema projects represent significant leasehold positions totalling in excess of 25,000 gross acres in which Aurora has a net interest of in excess of 14,000 acres. These two project areas are located adjacent to and abutting the Company's Sugarloaf project area. The study of regional seismic and well information by Texas Crude Energy Inc., suggests the Sugarkane Field is extensive and, the Longhorn and Ipanema Joint Venture leases cover a portion of the interpreted northern and eastern extension of the Sugarkane Field. These leases provide rights to all depths. The leasing of this acreage was also carried out in competition with several US oil and gas companies, including at least one major oil company.

It is the intention of the Joint Venturers to undertake drilling activities within the leasehold areas to test the same target zones as those to be tested in Sugarloaf-1 and 2 and that producing in the Sugarkane Gas Field.

### ***Flour Bluff Gas Project, Gulf Coast, Texas (AUT Working Interest 20% to 24.1667%)***

Independent reserve estimates for the Flour Bluff gas project put 3P (Proved, Probable, Possible) reserves at 99 BCFe gas (of which 53 BCFe is 1P) with further additional potential of up to 113 BCFe gas. As a result of the initial phase drilling undertaken, the reserves within 3P were re-classified reflecting movement of Possible and Probable into the Proved (1P) category, especially within the West Flour Bluff Gas Field. Overall 53% of 3P reserves are in the Proved category as against 29% prior to that drilling program.

Phase 2 Development is ready to commence and is focused on the deep Frio J and K sands in both East and West Flour Bluff Gas Fields. It is in these sands that the bulk of reserves lie in the fields. The testing of Potential reserves is not expected until Phase 3 of the Development Program when wells are drilled on the northern lobe of the West Flour Bluff Gas Field where the bulk of the potential upside lies.

Production and sales from the Flour Bluff field for the quarter ended 31 December has been impacted by a maintenance shutdown of the field export pipeline by its owner and operator. Maintenance work on this pipeline has now been completed and the field returned to production in January at approximately 3 MMCFeD.

### ***Elixir Petroleum Limited - (AUT shareholding 12.5%)***

On 23 March 2007 Elixir and Gawler Resources Limited, of which Aurora was the largest shareholder, announced their intention to merge. The proposed merger was to be implemented by a Scheme of Arrangement ("Scheme"). Meetings of the different classes of Gawler security holders to vote on the merger proposal were held on 19 October 2007, with security holders voting overwhelmingly in favour of the merger.

Federal Court approval of the merger was obtained on 25 October 2007 and Gawler was suspended from quotation on the ASX on 26 October 2007 pending the completion of the merger arrangements. Scheme consideration, being shares and options in Elixir, were issued to Gawler security holders on 13 November 2007 and the new shares in Elixir were admitted to trading on the ASX on 14 November 2007.

Following the completion of its merger with Gawler, Elixir is now an internationally focused upstream oil and gas company with a diversified portfolio of interests across the exploration and production lifecycle.

The company's business strategy is to acquire interests in high impact exploration prospects in the North Sea and elsewhere. This strategy has been supplemented by the addition of lower risk oil and gas development projects with exploration and appraisal upside located in the shallow waters of the Gulf of Mexico. These projects demonstrate a short cycle time to production providing better cashflow sustainability for the Elixir Group.

Elixir, as enlarged by the merger, will continue to maintain its listings on the ASX and AIM markets and is capitalised at approximately A\$40 million based on current share prices.

#### Elixir Highlights to 31 December 2007:

- Merger with Gawler Resources Limited ("Gawler") finalised.
- Achieved maiden gas and condensate production and receipt of first sales proceeds from the High Island field.
- Pompano Well #1 intersected commercial gas pay in the primary target sands and operations to complete Well #1 as a producer commenced in late January 2008.
- Pompano Joint Venture participants have elected to exercise the option over the Hercules drill rig to drill the Pompano Well #2 immediately following the completion of the Pompano Well #1.
- Promote Licence P1401 (Block 13/25) has been merged with Petro-Canada's Promote Licence P1459 (Block 13/24d) and the merged blocks converted to a single traditional licence.
- Farm out activities continue on several UK North Sea licences.
- Appointment of new Chairman and Managing Director and strengthening of executive management team.

#### ***North Belridge Oil Development Project, California (16.25% interest in 10 Well Program)***

The North Belridge discovery is a stratigraphic trap at a depth of 9,800 feet in the Monterey Shale Formation in the southern part of the San Joaquin Basin, California and has an estimated potential P50 reserve of 60 million barrels of recoverable oil and 40 billion cubic feet of gas. The discovery is approximately 3,500 acres in area and was defined by three wells and a seismic amplitude anomaly that is similar to that seen within the nearby North Shafter Field.

Aurora has the opportunity to earn a 32.5% interest in the first ten wells (24.375% Net Revenue Interest) until individual well payback and then 16.25% after payout by paying 32.5% on the first five wells and 24.375% on the next five wells. Following the completion of the initial 10 well development drilling program, Aurora has the option to acquire a 7.5% working interest in the

balance of the Project for the payment of US\$1 million and to participate on a 1:1 basis thereafter in respect of that interest. (Aurora would maintain its 16.25% interest in the initial 10 wells).

The second horizontal development well at North Belridge, NB26-2H, was fracture stimulated in the prior quarter and flowed at a daily rate of approximately 45 barrels of oil and 500 barrels of mostly formation water during testing.

North Belridge is a substantial oil discovery in a low permeability diatomite reservoir underlain by a high permeability water bearing layer. The development challenge is to perfect a reservoir stimulation (fracture stimulation) in the horizontal portion of the well, so as to achieve high oil production rates without producing the underlying water.

Management considers that North Belridge remains an attractive opportunity to participate in the development of a significant on-shore oil discovery.

### ***El Fatso Project - Schoenfield #1 Well (50% interest)***

The El Fatso Prospect is located in Wharton County, approximately 120 kilometres southwest of Houston, Texas. The Schoenfield #1 exploration was drilled as a deviated well targeting three seismic amplitude and AVO defined gas -condensate targets in the Yegua Formation. Aurora holds a 50% working interest (36.5% NRI) in the project, subject to a back-in arrangement with the field operator Texas Standard Oil & Gas Operating Company

The Schoenfield #1 Well was spudded on 10<sup>th</sup> December 2007 and reached Total Depth of 13,731ft (4,185 metres) on 4 January 2008. Wire line logs were then run, which indicated that although elevated gas readings were obtained while drilling through the target horizons, sufficient sand reservoir has not been developed to indicate commercial gas production. A decision was therefore made to plug and abandon the Schoenfield #1 well.

### ***West Black Lake Gas Development Project, Texas (20.15% interest in 5 Well Program)***

West Black Lake was an advanced exploration / early development project when Aurora acquired its interest in the first half of 2006. The first development well (Dolores #1) was connected by a short pipeline to nearby gas processing facilities at an adjacent field and placed on production. The production rate of approximately 200,000 cubic feet of gas per day has been maintained during the quarter. Aurora will reconsider its position in the project after further production information is collated and a full technical review has been completed.

## **QUARTERLY CASH FLOW REPORT FOR THE PERIOD ENDED 31 DECEMBER 2007**

Please find attached the Company's Appendix 5B for the period to 31 December 2007.

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, Longhorn, Ipanema, North Belridge, West Black Lake and Flour Bluff projects was compiled from information provided by the project operator Texas Crude Energy Inc. Technical information contained in this report in relation to the El Fatso prospect was compiled from information provided by the project operator, Texas Standard Operating Company. Technical information contained in this report in relation to the High Island project was compiled from information provided by the project operator, Peregrine Oil and Gas LP. Technical information from all the above projects was reviewed by P D Allchurch, BSc, FAIMM, MPESA, who has had more than 40 years experience in the practice of geology and more than 5 years experience in petroleum geology. Mr Allchurch has consented to the inclusion in this report of technical information based on the information provided by the project operators, and consents to the form and context in which it appears.

# 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
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ABN

90 008 787 988
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Quarter ended ("current quarter")

31 December 2007
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### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date ( 6 months ) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	300	483
1.2 Payments for		
(a) exploration and evaluation	(2,495)	(4,015)
(b) development	-	-
(c) production	-	(405)
(d) administration	(630)	(858)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	224	303
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other	-	-
<b>Net Operating Cash Flows</b>	<b>(2,601)</b>	<b>(4,492)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of:		
(a) prospects	-	-
(b) equity investments	-	(60)
(c) other fixed assets	(4)	(4)
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)	-	-
<b>Net investing cash flows</b>	<b>(4)</b>	<b>(64)</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(2,605)</b>	<b>(4,556)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(2,605)	(4,556)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	9,698	20,425
1.15	Proceeds from sale of forfeited shares	-	-
1.16	Proceeds from borrowings	-	-
1.17	Repayment of borrowings	-	-
1.18	Dividends paid	-	-
1.19	Other		
	Loan Establishment Costs	-	(30)
	Issue Costs	(490)	(1,057)
	<b>Net financing cash flows</b>	<b>9,208</b>	<b>19,338</b>
	<b>Net increase (decrease) in cash held</b>	<b>6,603</b>	<b>14,782</b>
1.20	Cash at beginning of quarter/year to date	12,729	4,550
1.21	Exchange rate adjustments to item 1.20	-	-
1.22	<b>Cash at end of quarter</b>	<b>19,332</b>	<b>19,332</b>

**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	(221)
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

Payments include:  
Directors' fees, consulting fees and serviced office rental. All payments are on normal 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

+ See chapter 19 for defined terms.

### 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	11,100	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	1,000
4.2 Development	1,000
<b>Total</b>	<b>2,000</b>

### 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	1,118	1,414
5.2 Deposits at call	18,214	11,315
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter</b> (item 1.22)	<b>19,332</b>	<b>12,729</b>

### 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	N/A	-	-	-
6.2 Interests in mining tenements acquired or increased		-	-	Various

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**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 <b>Preference +securities</b> ( <i>description</i> )	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	201,274,962	201,274,962	Various	Fully Paid
7.4 Changes during quarter				
(a) Increases through issues				
Placement	18,207,545	18,207,545	-	-
Option Exercise	-	-	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b> ( <i>description</i> )	-	-	-	-
7.6 Changes during quarter				
(a) Increases through issues	-	-		
(b) Decreases through securities matured, converted	-	-		
7.7 <b>Options</b> (i)			<i>Exercise price</i>	<i>Expiry date</i>
Consolidation Options	8,000,000	-	\$0.20	22 Feb 2010
Loan Options	2,990,000	-	\$0.20	28 Apr 2010
Director Options	1,000,000	-	\$0.30	28 Apr 2010
Consultant Options	1,833,000	-	\$0.30	28 Apr 2010
Note Conversion Options	4,285,714	-	\$0.25	28 Apr 2010
Performance Options	1,200,000	-	\$0.20	22 Feb 2008
Incentive Options	500,000	-	\$0.51	30 Mar 2011
Incentive Options	3,000,000	-	\$0.70	31 Jan 2009
Consultant Options	1,000,000	-	\$0.60	30 Sept 2010
Consultant Options	1,000,000	-	\$0.70	30 Sept 2010
	<b>24,808,714</b>			
7.8 Issued during quarter				
Consultant Options	1,000,000	-	\$0.60	30 Sept 2010
Consultant Options	1,000,000	-	\$0.70	30 Sept 2010
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	-	-	-	-
7.10 Expired during quarter				
Financing Options	1,000,000	-	\$0.58	16 Jan 2008
7.11 <b>Debentures</b> ( <i>totals only</i> )	-	-	-	-
7.12 <b>Unsecured notes</b> ( <i>totals only</i> )	-	-	-	-

+ See chapter 19 for defined terms.

## 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 (see note 4).
- 2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.

Sign here:  ..... Date: 31 January 2008  
(~~Director~~/Company secretary)

Print name: ALEX NEULING

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+ See chapter 19 for defined terms.