

20 June 2007

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

By e-Lodgement

Dear Sir/Madam

OPERATIONAL UPDATE

SUGARLOAF PROJECT

Since our last report on the 24 April 2007, about 15,000 feet of the high pressure liner used to test the deep target, in the Sugarloaf-1 well has been successfully recovered and the well has been plugged back above 14,000 feet.

Cased hole wire line logging of the possible gas pay zones discovered during drilling in Cretaceous carbonates, indicates that the cement behind the casing does not provide enough seal to isolate the gas zones for testing. Remedial cementation, involving serial perforation of the casing and squeeze cementing, is expected to take up to three weeks to complete.

Fracture stimulation and flow testing of each of the three zones of possible gas pay will then be undertaken.

Aurora has a 20% working interest in the Sugarloaf-1 well through its wholly-owned US subsidiary Sugarloaf Oil & Gas LP.

LONGHORN, AND IPANEMA PROJECTS

Leasing of land on these project areas is essentially complete. At Ipanema total leased net acres in the Project area is approximately 6,000 acres and at Longhorn approximately 20,000 acres has been leased or committed to lease to date.

Ipanema is located adjacent to and east of the Sugarloaf Project Area of Mutual Interest ("AMI"). The Longhorn Project is located north of and adjoining the Sugarloaf AMI. Both projects are believed to be prospective for gas in the same Cretaceous carbonate formation that is present in the Sugarloaf-1 well.

Aurora believes that the land package secured to date represents an excellent strategic holding relative to our overall targeted areas. Following land acquisition, wells are planned to test the Cretaceous carbonate play at both Ipanema and Longhorn.

At Ipanema Aurora can earn an 80% working interest by funding 100% of leasing costs and the cost of the first well through to production.

At Longhorn, Aurora is earning a 50% working interest by funding 100% of leasing costs and the cost of the first well through to production.

WEST BLACK LAKE – DOLORES-1 WELL

Since our last report on the 24 April 2007, the well has been shut in while a short pipeline connection to nearby gas processing facilities at an adjacent field was constructed. Prior to shut in the well was flowing gas at about 500,000 cubic feet per day. The Operator has advised that

construction of the pipeline and tank battery is almost complete and that the well is expected to commence production in approximately two weeks.

Aurora has the opportunity to earn a 20.15% working interest in five wells through the funding of a 40.3 % interest in each well until individual well payback. Following the completion of this five well drilling program, Aurora has the option to acquire a 10% 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 20.15% interest in the initial five wells).

NORTH BELRIDGE – NB26-2H WELL

The Operator has advised that analysis of real time seismic monitoring records during the frac of the first well and the mini frac of this well has now been completed and that full scale fracture stimulation operations on the 26-2H well are expected to start as soon as equipment is available. Latest indications are for this to be in the second half of July.

FLOUR BLUFF PROJECT

Gas production continued at Flour Bluff.

On the 7 June 2007, work-over operations started on the East Flour Bluff D-24 well with the objective of increasing gas production from the well.

GAWLER RESOURCES LIMITED

Aurora presently holds 14 million shares in Gawler Resources Limited (“Gawler”) received in consideration for transferring Aurora’s 30% interest in the High Island gas field to Gawler. Details of the transaction were released on 16 December 2006. The first well at High Island discovered gas and development of the field is on track for first production in the September quarter. The High Island field is located off-shore Texas in the Gulf of Mexico.

On the 15 June 2007, Aurora announced that it had arranged for the acquisition by Gawler of a 25% interest in a second substantial off-shore gas exploration-development project in the Gulf of Mexico. The project is known as the Pompano Project.

As a result of Gawler’s acquisition of Pompano, under the abovementioned agreement announced on the 16 December, Aurora’s shareholding in Gawler will increase by 6 million shares and it will be entitled to apply for 20 million 20 cent Gawler options at 1 cent each.

Like High Island, Pompano is a substantial, relatively low risk exploration-development project but with much larger exploration up-side. Drilling of the first well is anticipated later this year.

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.

Information contained in this report concerning the background to the Sugarloaf, West Black Lake, Ipanema and Longhorn Projects was compiled from information provided by Texas Crude Energy Inc. Information in this report on the Pompano project was compiled from information provided by the Project operator Millenium Explorer LLC. Information on all the above mention projects was reviewed by P D Allchurch, BSc, FAIMM, MPESA, who has had more than 35 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 the matters based on this information in the form and context in which it appears.