

11 July 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

Sugarloaf-1 Well

The rig required to undertake remedial cementation and formation testing has arrived on site. Remedial cementation operations will start immediately and could take up to three weeks to complete. This will be followed by fracture stimulation and flow testing of each of the three zones of possible gas pay, identified from wire-line logs and gas shows in carbonate rocks of Cretaceous age.

For engineering reasons the deepest zone will be tested first. Should any of the zones of interest produce hydrocarbons at commercial rates, it is likely that the zone would be placed on long term production test to assess reservoir performance.

Sugarkane Gas Field

The upper zone of possible gas pay in 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. Aurora has no interest in the discovery well or the lease holdings immediately surrounding that well. Details of the discovery are not available but the well is vertical and is believed to have been producing gas and condensate continuously for more than eight months.

Although the upper zone of possible pay in the Sugarloaf-1 well has not yet been flow tested, on wire-line log, gas log and regional seismic interpretation grounds, the upper zone in Sugarloaf-1 appears to be within the Sugarkane Field.

Study of regional seismic and well information by Texas Crude Energy Inc, (operator of the Sugarloaf Joint venture) suggests the Sugarkane field is extensive and, as previously announced, Aurora has secured a total of around 18,000 acres (Aurora's share) of leases which cover portion of the interpreted eastern extension of the Sugarkane Field. These leases provide rights to all depths. The leasing was successfully carried out in competition with several USA oil and gas companies, including at least one major oil company.

Proposed Sugarloaf-2 Well

As leasing of acreage is now essentially complete, the Sugarloaf Project operator has proposed the drilling of a second well, located about 1.6 kilometres from the Sugarloaf-1 well.

The well is an exploration well and is proposed to be drilled vertically to just above the target and then horizontally for 5,000 feet (1,524 metres) in the target upper zone of possible gas pay defined in Sugarloaf-1. As already mentioned, this is the zone which is believed to correlate with the producing section in the Sugarkane Field discovery well.

Horizontal drilling has been selected, as successful horizontal wells commonly produce at rates several times that of a vertical well at the same point in the reservoir.

A suitable rig has been identified and subject to Joint Venture approval and execution of relevant documentation, is expected on location about the end of August. The Operator estimates Aurora's share of dry hole costs to be approximately US\$720,000 (total well dry hole cost US\$3.6 million) and completion US\$330,000 (total well completions costs US\$1.65 million).

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 (Aurora share about 4,500 acres) and at Longhorn approximately 20,000 acres (Aurora share about 10,000 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 and is producing in the discovery well in the Sugarkane Field adjacent to Sugarloaf.

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 20 June 2007, the well has been shut in while a short pipeline connection to nearby gas processing facilities at an adjacent field was constructed.

The Operator has now advised that construction has been completed and that the well commenced production into the sales line a few days ago. Production rate has been consistently approximately 1 million cubic feet of gas per day and is slowly recovering fluids remaining from well operations.

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).

FLOUR BLUFF PROJECT

The Operator has advised that work-over operations on the East Flour Bluff D-24 well have now been completed and that they are preparing to flow test the well to production.

GAWLER RESOURCES LIMITED

Since the Company's last update advising of the High Island Joint Venture (located in shallow water off-shore Texas in the Gulf of Mexico), partners' decision to fast track the proposed three well field development plan, the Operator has on behalf of the joint venture made substantial progress. It has completed the tendering process for all equipment and services required for the development, completed the design and fabrication of an unmanned production platform and jacket (High Island A), completed the design and specification for a 6 inch, 5km sub-sea production pipeline and is currently engaged in installation activities in-field. Drilling activities are expected to commence during July following the arrival of the contracted rig and production is expected to commence by early September.

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, as well as 14 million options exercisable at \$0.20 each. Details of the transaction were released on 16 November 2006.

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 November, Aurora's shareholding in Gawler will increase by 6 million shares and it will be entitled to apply for a further 6 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 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.