

31 August 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

Sugarkane

London AIM market listed Empyrean Energy plc has released further information regarding a well they are participating in with Sugarloaf Operator Texas Crude Energy Inc on land nearby to the Sugarloaf JV acreage. Their release advises:

"... the TCEI JV Block A #1 well has reached a total depth of 4,400 meters (measured depth). Current operations are preparing to run casing.

The horizontal well has continued to encounter encouraging gas shows in addition to fluorescence in the cuttings through to total depth. Gas shows were observed over approximately 2,500 gross feet. Multiple gas flares measuring up to 65 feet were observed over approximately 1,000 feet including an interval of about 600 feet that had a constant gas flare."

The gas shows and flows while drilling are considered encouraging in terms of the possible existence of permeable natural fracture systems in this productive formation which extends 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). The existence of any such natural fracture systems is likely to improve the potential productivity of horizontal development wells that intersect them, including the soon to be drilled Kennedy-1H well at Sugarloaf.

Sugarloaf-1 Well

As previously advised the upcoming testing and drilling program for this project is expected to commence during the week of 10 September 2007.

Kennedy-1H

The rig contracted to drill the next Sugarloaf Project well (Kennedy-1H) is currently on schedule to finish its drilling operations on a third party well by early September. On that basis the Kennedy-1H well is expected to spud by around mid-September.

The timing for both operations remains subject to the timely release of the relevant equipment from current third party operations as well as other factors outside of our control such as weather conditions.

Further updates will be provided upon commencement of these operations.

FLOUR BLUFF PROJECT

Workover Program

The operator of the Flour Bluff Gas Fields has been undertaking a workover program on East Flour Bluff Field wells, D-18, D-19 and D-24, and has now moved on to the Smith #1 well in the West Flour Bluff Field. The results of this program to date are pleasing.

- The J-64 sand in the D-24 well was completed and resulted in a final stabilised daily gas flow of approximately 800 mcf gas. The forward plan is to clean up and stabilise the current gas flow for 3 months before fracking to enhance flow.
- The J-02 sand in the D-13 well was completed and is currently flowing at approximately 1,200 mcf of gas per day.
- Workover operations are current on D-19 and will commence on Smith #1 in the next 1-2 weeks. Results will be advised on completion of workovers on these wells.

Yours sincerely

AURORA OIL & GAS LIMITED

Alex Neuling
Company Secretary

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 and Flour Bluff projects was compiled from information provided by Texas Crude Energy Inc. Information on all the above mentioned 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.