

19 September 2007

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

By e-Lodgement

Dear Sir/Madam

SUGARLOAF PROJECT UPDATE

Kennedy #1H

Aurora Oil & Gas Limited (ASX:AUT, "Aurora") advises that the Kennedy #1H exploration well, located in the onshore Gulf Coast Basin in Texas, USA, commenced drilling at 1830 hours Texas time on 17 September 2007.

At report time (0600 hours on 18 September 2007, Texas time) the well had reached a depth of 565 feet in 17.5 inch diameter hole and was drilling ahead.

The proposed total depth of Kennedy#1H is 17,570 feet (5,360 metres) which includes a horizontal section of approximately 5,000 feet (1,525 metres) to be drilled through the Austin Chalk Formation at a vertical depth of approximately 12,000 feet. The zone to be targeted by this horizontal section is believed to correlate with the producing section in the Sugarkane Field discovery well which is located some 8 km to the west of Kennedy #1H.

On a trouble-free basis the prognosed drilling time for this well is about 45 days.

Sugarloaf-1 Well

Kennedy #1H is located some 1.6 km from the Sugarloaf-1 well where fracking and testing operations were commenced last week. Fracture stimulation of the deepest of the three zones of gas shows and log interpreted potential gas pay in the Cretaceous age Austin Chalk Formation was carried out on 11 September. The fracture stimulation operation terminated early after a premature screen-out halted pumping after only 6% of the planned proppant was placed in the formation. The reason for the screen-out is not known.

Proppant in the well bore is presently being washed out by a work-over rig prior to running tubing to test the zone. Some intermittent gas is being recovered during this operation. The significance of the gas shows will not be known until test operations are completed.

Further ASX announcements will be made as results from this test become available.

Aurora, through its wholly owned US subsidiary Sugarloaf Oil & Gas, LP, has a 20% interest in the Sugarloaf Project which includes the Sugarloaf-1 and Kennedy #1H wells.

Yours faithfully

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.