

5 October 2007

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

By e-Lodgement

Dear Sir/Madam

OPERATIONS UPDATE

Sugarloaf - Kennedy #1H Well

Aurora Oil & Gas Limited (ASX:AUT, "Aurora") advises that at 6am Texas time on the 4th of October, the Kennedy #1H exploration well, located in the onshore Gulf Coast Basin in Texas, USA was drilling ahead at a depth of 9,975 feet (3,040 metres). The proposed total depth for this well is 17,570 feet Measured Depth.

Sugarloaf - Sugarloaf-1 Well

Since our last report on the 27th of September repairs to surface equipment have been completed and tubing has been run in preparation for flow testing the first (deepest) zone.

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

North Belridge 26-2H Well

At report time (0600 California time on the 4th of October) the operator was running tubing and a packer into the well to continue with flow test operations.

Prior to running tubing, the well was flowing through casing at a daily rate of approximately 48 barrels of oil and 548 barrels of mostly formation water.

Gawler Resources Limited (ASX:GRL, "Gawler")

Gawler provided a production update in relation to the High Island A-268 gas and oil field to the ASX on the 3rd of October.

The field is presently producing 15.5 million standard cubic feet of gas and 264 barrels of condensate per day from two wells. Details of the individual wells are set out as follows:

Well A-1 Production

Well A-1 continues to produce approximately at 9.0 million standard cubic feet of gas per day, however condensate production has risen from approximately 220 barrels per day to 250 barrels per day as the well continues to clean up. The well remains on the same choke size (16/64") and no formation water is being produced.

Well A-2 Production

Well A-2 continues in clean-up flow to sales from the lower reservoir zone.

On the current choke setting (13/64") the well has achieved a stabilised production rate of approximately 6.5 million standard cubic feet of gas per day and approximately 14 barrels of clean condensate per day. The well is also producing approximately 65 barrels of completion fluids per day which is expected to decline over the coming days as the well continues to clean up.

Following the sale of wholly owned subsidiary Cottesloe Oil & Gas, Inc (owner of a 30% interest in HIA-268A "High Island") to Gawler, Aurora became Gawler's largest shareholder with a shareholding that currently equates to approximately 29%.

The High Island field is located in 169 feet of water offshore Texas in the Gulf of Mexico. The Company holds a 30% working interest in the High Island field (which is subject to a 5.4% "back-in" following the recovery of Gawler's initial investment through production sales).

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.