

18 October 2007

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

By e-Lodgement

Dear Sir/Madam

OPERATIONS UPDATE

Kennedy #1H

Aurora Oil & Gas Limited (ASX:AUT, "Aurora") advises that at 6am Texas time on 17 October the Kennedy-1 exploration well had reached a measured depth of 12,720 feet (3,878 metres) and was cementing casing.

Since our last report, the well has been steered from vertical to reach a horizontal attitude just inside the target Austin Chalk upper zone, believed to correlate with the producing zone in the Sugarkane discovery well. Background gas increased from around 40 units to about 100 units on entering the Austin Chalk target zone. The commercial significance of the elevated gas background is not known but is regarded as encouraging. As planned, casing is now being run before the planned final 4,850 feet (1,273 metres) of the well is drilled entirely within the near horizontal target Austin Chalk upper zone, in order to evaluate the zone and its productive potential if any.

Sugarloaf-1 Well

The Operator has advised that preparations have commenced to re-frac and re-test the deepest of the three zones of gas shows and log interpreted potential gas pay in the Cretaceous age Austin Chalk Formation. As the result of the reported early screen out when attempting to frac this zone last month, a revised frac design and program will now be adopted. Timing of the proposed fracture stimulation operation is subject to the availability of frac equipment and services but is expected to take place as soon as these are 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.