

24 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 23 October the Kennedy-1 exploration well was drilling ahead at a measured depth of 13,481 feet (4,110 metres). The planned measured depth of this well is 17,570 feet.

Since our last report, casing was successfully run and cemented at a depth of 12,719 feet (3,878 metres) followed by the commencement of drilling the horizontal section of the well within the target Austin Chalk upper zone. Background gas levels within this horizontal section drilled to date have continued to be broadly consistent with those reported last week.

Sugarloaf-1 Well

Since our last update, the re-frac of the deepest of the three zones of gas shows and log interpreted potential gas pay in the Cretaceous age Austin Chalk Formation was undertaken, with all of the frac proppant injected into the formation as per the program. Flow back operations have recovered over 70% of the frac fluid with traces of gas and condensate. Flowing tubing pressures have steadily declined. The lack of significant hydrocarbon recovery and the flow pressures seen to date indicate that this deepest zone of the Austin Chalk is unlikely to be commercially productive at this location.

The forward plan is to continue the flow back to recover additional fluids followed by the acquisition of post frac wire-line logs for a full assessment of this zone.

The forward program and the timing of testing the two other Austin Chalk zones in this well will be determined by the joint venture after the current testing operations are completed and assessed.

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.