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

By e-Lodgement

Dear Sir/Madam

Aurora Acquires Interest in Onshore Texas Exploration Gas Project

Aurora Oil & Gas Limited ("Aurora") (ASX:AUT) is pleased to announce the completion of the acquisition of a 50% working interest in the El Fatso gas and condensate exploration project ("El Fatso Project"), located in Wharton County, Texas.

El Fatso Project

The El Fatso project is located in Wharton County, approximately 120km southwest of Houston. The lease area lies directly to the south of the Phase Four, Shanghai and El Campo gas fields which have produced more than 120 billion cubic feet ("BCF") of gas and 9 million barrels of condensate (mmbc) from good quality Eocene aged Yegua sands located in a fault block updip of the prospect. The lease holder and Operator of the project is a private US company, Texas Standard Oil Operating Company (the Operator).

The El Fatso prospect was defined from good to excellent quality 3D seismic shot in 1995 which has recently been reprocessed and re-mapped.. The survey was originally shot to define the western edge of the neighbouring El Campo field which lies directly to the north of the El Fatso Project. The exploration targets in the El Fatso Project display excellent seismic amplitude and Amplitude Variation with Offset ("AVO") responses. The use of 3D seismic has improved significantly the rate of drilling success to approximately 70% for Yegua fairway targets which in the past have been discovered and developed using 2D seismic only.

The Schoenfield #1 well will target three seismic amplitude and AVO defined prospects in a lower Yegua sand fairway. The targets, if hydrocarbon bearing, are expected to contain gas and condensate in encased sand bodies laid down as deltaic fans or turbiditic channels. Reserve potential has been mapped in three separate lower Yegua Expanded Section sands located between 11,000 feet and 13,000 feet Measured Depth ("MD"). The Operator estimated unrisks potential reserves of up to 42 BCF from the three separate sands with a single deviated well (P90 potential reserve estimates 19.7 BCF, P50 30 BCF and P10 42 BCF). These targets are produced in neighboring fields to the prospect.

The drilling of the well is expected to commence in late December and it is anticipated to take 30 days to reach the proposed total depth of 13,700 feet MD.

Terms

Under the terms of the Participation Agreement with Texas Standard Oil & Gas, LP, Aurora is to pay US\$458,000 as its proportionate share of leasing and other back costs to earn its initial working interest of 50% (NRI 36.5%) and is committed to the drilling of the first well. On a success basis, the Operator is entitled to a 25% back-in at casing point, thereafter reducing Aurora's 50% working interest to 37.5% (NRI 27.4%) for casing, completion and all subsequent operations. Total dry hole costs are estimated at US\$2,670,000 (Aurora share US\$1,330,000) and completion costs US\$750,000 (Aurora share US\$280,000). Aurora retains the option to participate in subsequent wells.

Comment by Executive Chairman

Aurora Executive Chairman Jon Stewart commented that "Participation in El Fatso provides Aurora with the opportunity to participate in the imminent drilling of an exciting exploration well which offers the potential for excellent productivity and attractive reserves potential on an attractive risk return basis."

Yours sincerely

AURORA OIL & GAS LIMITED

Jon Stewart
Executive Chairman

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 El Fatso project was compiled from information provided by Texas Standard Oil Company. Information on the above mentioned project 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