

14 January 2008

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

By e-Lodgement

Dear Sir/Madam

OPERATIONAL UPDATE

SUGARLOAF PROJECT

Sugarkane

London AIM market listed Empyrean Energy plc has released further information regarding wells they are participating in with Sugarloaf Operator Texas Crude Energy Inc on land nearby to the Sugarloaf JV and Aurora's Ipanema project acreage. Their release advises:

“...

TCEI JV Block A-3 Well

Empyrean has been advised by the operator that significant further gas shows and multiple gas flares have been encountered over approximately 2,700 feet during drilling of the horizontal section of the well in the target zone. It is important to note that the shows and flares were encountered whilst drilling with relatively heavy mud weight and that the well was observed as trying to flow naturally. This has prompted the operator to cease drilling at a measured depth of 15,100 feet prior to the planned total depth of 17,800 feet in order to carry out a natural open hole test to see if the well will flow commercially without stimulation.

The drilling rig has been released in order to bring in a workover rig to run tubing and commence testing as a natural open hole completion. Depending upon testing results the operator has advised that a water frac may then be used to enhance flow rates. If non-commercial flow rates are sustained following a water frac then it is likely the operator will bring the drilling rig back on site to continue drilling to the original planned total depth.

The testing is expected to commence shortly and a further announcement will be made when the workover rig arrives on site prior to commencing testing.

The commercial significance of the gas shows will not be known until the full results of any testing are analyzed.

TCEI JV Block A-1 Well

Present operations are the running of 4 1/2' casing to tie back the 4 1/2' liner in the horizontal section of the well all the way back to the surface. This is being done in order to get a higher pressure rate than the previous 7' casing would allow, such that effective fracture stimulation can be carried out using a conventional gel sand frac. The 7' casing did not allow for high enough pressure to effect the fracture stimulation.”

The “significant gas shows and multiple gas flares” reported during drilling provide further encouragement in terms of the possible existence of permeable natural fracture systems in this productive formation which is believed to extend over the Sugarloaf Joint Venture area and the significant adjacent acreage in which Aurora participates (approximately 20,000 acres at Sugarloaf, 20,000 acres at Longhorn and 6,000 acres at Ipanema). The existence of any such natural fracture systems is likely to improve the potential productivity of horizontal development wells that intersect them. The Operator’s plans to test the wells using different completion techniques will provide them with valuable information for the future development of the discovery.

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The timing of completion operations remains subject to the finalisation of completion design and sourcing of services but is intended to be undertaken as soon as practical.

Further updates will be provided upon commencement of these operations.

Yours sincerely

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, Longhorn and Ipanema 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.