

21 July 2008

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

By e-Lodgement

Dear Sir/Madam

SUGARLOAF OPERATIONS UPDATE

Aurora Oil & Gas ("Aurora") is pleased to provide an update on operations within the Sugarloaf Area of Mutual Interest ("AMI").

Kowalik #1H

Aurora has been advised by the Operator of the Sugarloaf AMI, Texas Crude Energy Inc ("TCEI"), that Kowalik #1H spudded on 00:00 hrs 18 July 2008 and as at 0600hrs 20 July 2008 (US CST) preparations were being made to commence drilling the 12 1/4" hole section having set and cemented 13 3/8" casing at a depth of 825 ft. The well is located approximately 5km north of the Kennedy -1H well and on trend from producing wells in adjacent acreage.

As previously advised, the well is engineered to take advantage of the knowledge gained from work carried out within the Sugarkane Gas and Condensate field and an analogous offset field in the region. It will target the upper pay interval that has been reported to have successfully produced gas and condensate in three wells in adjacent acreage.

The well is planned to be drilled vertically to approximately 12,000 feet, as a pilot hole, when it will be logged, plugged back and kicked off to drill a 6,000ft horizontal section in the upper pay interval of the Austin Chalk.

It is expected it will take approximately 30 days to drill the pilot hole and a further 30 days to conclude the drilling of the horizontal section.

The Joint Venture is working towards this well being the first in a continuous sequence of 4 wells.

Kennedy -1H

The second stage of fracture stimulation (frac) took place on Thursday 3rd July. As previously advised, in preparation for the stimulation, an additional three sets of perforations, each 3 ft long, were placed in between those used for the first stimulation in the bottom 600 ft of the well. The fracture operation successfully placed approximately 100,000 lbs of high strength proppant into the fractures before high pumping pressures prevented the full program being completed which represented 90% of the planned fluids and 50% of the planned proppant.

Flow back initially recovered about 1,200 barrels of the 6,540 barrels of fluids pumped during fracture operations along with trace amounts of gas and condensate recovered towards the end of this period.

Clean out operations were implemented to wash out fracture proppant that was left in the well bore as a result of the early termination of the frac and well production testing of the well resumed on 15 July 2008.

The well flowed initially at an unstabilized rate of approximately 425,000 cubic feet per day, 106 bbls condensate per day and 48 barrels of water per day. After a few hours at these rates the well commenced slugging and produced intermittently with rates varying between 46 – 107 bbls of condensate per day and gas rates of 200,000 to 300,000 cubic feet per day with periodic influxes of water.

To ensure that the remaining frac water (at least 5,000 barrels has not yet been recovered from the most recent fracture stimulation) was not preventing the well from unloading efficiently, coiled tubing was mobilised to the rigsite on Friday 18th July. Two attempts have been made to use nitrogen to jet the water and condensate from the well bore. Although additional fluid was recovered, the operation did not improve the flow rates. The well has recovered 44bbls of fluid with associated gas in the last 24 hours, with the most recent fluid sample showing 80 % condensate. The well will continue to be monitored.

Aurora has a 20% working interest in the Sugarloaf AMI.

Other ASX listed participants in the Sugarloaf JV include:

Adelphi Energy Limited 20%
Eureka Energy Limited 12.5%

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.

Technical information contained in this report in relation to the Sugarloaf project and Sugarkane field was compiled by Aurora from information provided by the project operator and reviewed by I L Lusted, BSc (Hons), SPE, a Director of Aurora who has had more than 15 years experience in the practice of petroleum engineering. Mr Lusted consents to the inclusion in this report of the information in the form and context in which it appears.