

12th November 2008

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

By e-Lodgement

Dear Sir/Madam,

UPDATE ON OPERATIONS AT SUGARLOAF

Aurora Oil & Gas ("Aurora") is pleased to provide the market with an update on operations within the Sugarloaf AMI, which is part of the Sugarkane Gas and Condensate Field.

Weston #1H

Aurora has been advised by the Operator that the Weston -1H well has reached a depth of 6,090 feet and is currently running 9-5/8" casing.

The well is targeting the upper chalk interval that has been reported to have successfully produced gas and condensate in three wells in the adjacent acreage and is currently on production at the Kowalik #1H well (see below). The well design continues to build upon the knowledge gained from recent operations and offset data.

Kowalik #1H

Aurora has been advised by the operator, Texas Crude Energy Inc ("TCEI"), that at 06:00hrs on the 11/11/08 (US CST) the Kowalik #1H well was flowing at an un-stimulated rate to sales. During the 24 hour period prior to this time the well produced approximately 884,000 cubic feet of gas, 190 barrels of oil and 35 barrels of water. The water production is considered to be predominantly fluids used in the recent cleanout operation.

The present production rate of approximately 2.85 million cubic feet equivalent per day is significant to the extent that it again expands the confirmed gas and condensate productivity of this new field discovery being approximately 5km from our producing Kennedy #1H well and 9km from announced recent production in adjacent acreage. We agree with the Operator's interpretation that whilst approximately 4,600' of horizontal section was drilled in this well, it was approximately the last 1,500' that was drilled at a specific horizon within the upper chalk which should be pursued in subsequent wells drilled in this area of the field. This particular horizon demonstrated the gas flows and flares during drilling which are indicators of higher permeability, usually through natural fracturing. Accordingly completion operations have focused on that 1,500' section.

It is the Operator's intention to now produce the well for a period of time during which consideration will be given to further operations to test the potential for increasing production in this well, which we consider possible.

We consider it worth comparing the current production at Kowalik #1H to our analysis of recent wells drilled in analogue Austin Chalk formation in Polk and Tyler Counties in East Texas. There development operations are advanced and upwards of 100 development wells have been drilled, the majority now being dual 6,000' lateral sections (i.e. up to 12,000' of exposure to an established and well known reservoir). In relative terms applying a comparative rate per 1,000' of horizontal section, we consider that the Kowalik #1H initial production represents a mid-level producer and is consistent with and within the range of productivity levels to be expected.

Operational plans for the current well Weston #1H and subsequent wells are to continue to use the field and operational knowledge being generated to initially drill wells with significantly greater exposure to target reservoir in the upper Austin Chalk. In the future, having established production in this zone, we intend to pursue the considerable potential beneath it.

Aurora has a 20% working interest in the Sugarloaf AMI. Other ASX listed participants in the Sugarloaf JV, and their respective working interests are:

Eureka Energy Limited	12.5%
Adelphi Energy Limited	20%

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.

About the Sugarkane Gas and Condensate Field

Aurora has established a substantial landholding position within the recently discovered Sugarkane Gas and Condensate Field, Texas, providing the Company with the opportunity to benefit from a potential multi trillion cubic feet equivalent (Tcfe) gas and condensate resource.

The Sugarkane Field, discovered in 2006, is a unique Austin Chalk formation that lies some 20km south of the main Texas Austin Chalk trend. In the early stages of appraisal the field is exhibiting many characteristics that are superior to the classic Austin Chalk fields such as the nearby Giddings and Pearsall fields that have produced over 5 Tcf of gas and 600 mmbbls oil. Notably, the Sugarkane Field is over pressured, has a higher porosity and a higher condensate to gas ratio than the classic Austin Chalk fields.

The Sugarkane Field covers an identified area exceeding 200,000 acres with potential gross reserves estimated at greater than 3 Tcf of gas and approximately 700 million barrels of condensate making it potentially one of the largest undeveloped gas and condensate fields within North America.

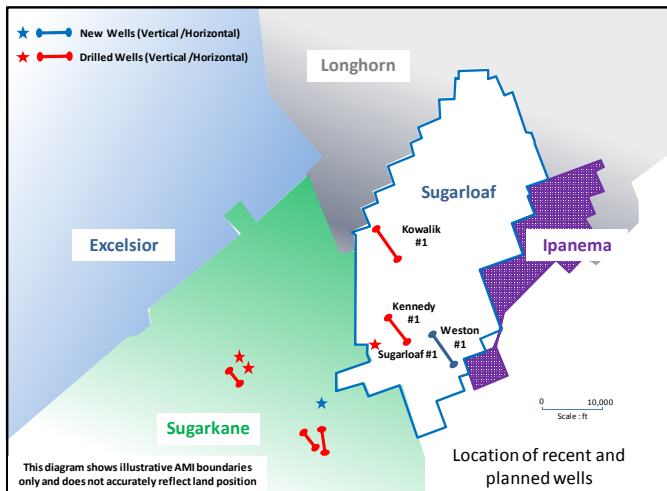


Figure 1: Map of Sugarkane Field showing AMI's

Aurora holds interests in three separate project (AMI) areas within the Sugarkane Field with a combined gross land position of 48,185 acres (18,559 acres net to Aurora before royalty interests):

- Sugarloaf Area (20%)
- Longhorn Area (50%)
- Ipanema Area (80%)

Eight exploration and appraisal wells have been drilled into the targeted Austin Chalk formation since discovery. Three of these wells are within Aurora's area of interest and five wells have been drilled by a major E&P company adjacent to Aurora's area of interest.

Aurora participated in the Sugarloaf AMI wells:-

The Sugarloaf #1 well that was vertically drilled through the Austin Chalk and from which hydrocarbons have been produced to surface. This well was designed to target a deeper formation.

The Kennedy #1H well was drilled horizontally in the deeper chalk horizon. Analysis of the well results indicates that it did not encounter any natural fractures, an important factor on individual well productivity, but did encounter hydrocarbon charged matrix chalk along its length. The Operator has installed a production facility and the well has now been tied to a nearby gas transmission line and commenced production. To our knowledge this represents the first production from this lower stratigraphic level within the Sugarkane Field.

The Kowalik #1H well was drilled to the north of the previous Sugarloaf wells and has been recently completed and is now producing gas and condensate to sales. The well is completed in the upper chalk horizons.

The Weston #1H well has been spudded and is also targeting the upper chalk horizon.

Of the other five wells drilled into the Sugarkane Field, three are horizontal which have flowed at very encouraging initial rates and two are vertical, including the discovery well which has been on production since September 2006.

Aurora and the project operator of all three AMI's, Texas Crude Energy Inc, have commenced additional appraisal and development activities in 2008 focused on commercialising their significant resource potential. Additional wells are expected to be drilled in the Sugarkane Field both within and outside Aurora's AMI's in this period.

(Data referencing activities in adjacent acreage has been sourced from publicly available information)

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 other publicly available sources. It has been 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.