17th December 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 WESTON #1H

Aurora Oil & Gas ("Aurora") provides the market with an update on operations at the Weston #1H well which is within the Sugarloaf AMI and is part of the Sugarkane Gas and Condensate Field.

Weston #1H

Aurora has been advised by the Operator Texas Crude Energy Inc ("TCEI") that it was not possible to run the production casing string to depth as planned. The casing string was successfully recovered to surface and remedial operations are presently underway to prepare the wellbore to re-run the casing. The forward plan is to set the casing at approximately 12,250 ft and then drill the final hole section horizontally through the Austin Chalk.

The well is targeting the upper chalk interval that has produced gas and condensate in three wells in the adjacent acreage and at the Kowalik #1H well. The well design continues to build upon the knowledge gained from recent operations and offset data.

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.

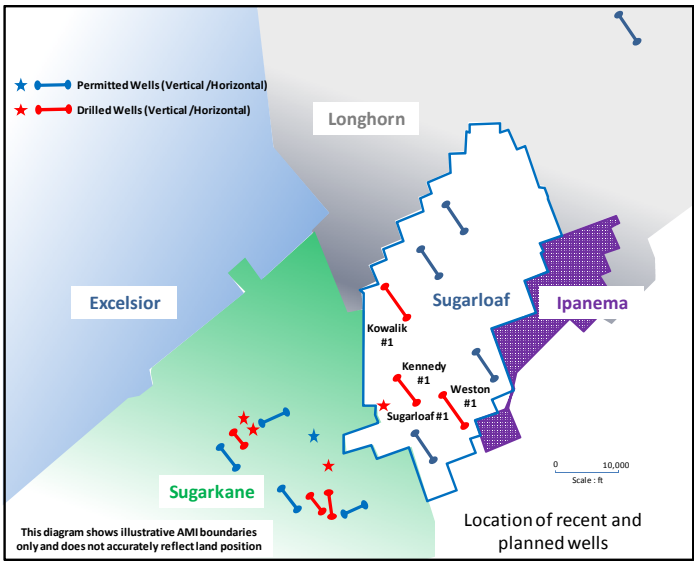

Figure 1: Map of Sugarkane Field showing AMI's

Aurora holds interests in three separate project (AMI) areas within the Sugarkane Field with a combined gross land position of 52,189 acres (20,561 acres net to Aurora before royalty interests):

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

Nine 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 six wells have been drilled by a major E&P company adjacent to Aurora's area of interest.

Aurora has participated in the following Sugarloaf AMI wells:-

The Sugarloaf #1 well which 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 six wells drilled into the Sugarkane Field, three are horizontal which have flowed at very encouraging initial rates and three are vertical, including the discovery well which has been on production since September 2006.

(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.