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

By e-Lodgement

Dear Sir/Madam

UPDATE ON OPERATIONS: FLOUR BLUFF GAS PROJECT, TEXAS, USA.

EFB E-10 Well (East Flour Bluff Gas Field)

After a few days delay due to Hurricane Emily, the EFB E-10 directionally drilled well reached its programmed total depth of 2,205 metres (7,235 feet) measured depth on the 31 July and is presently running wire-line logs. Gas shows during drilling were encountered in both target sands, with maximum total gas of 2.28% in show number one between 2,117 metres and 2,171 metres (6,947 feet and 7125 feet) and maximum total gas of 1.34% in show number two between 2,195 metres and 2,202 metres (7201 feet and 7225 feet). While encouraging, the significance of these shows will not be known until wire-line logs have been evaluated.

The results of the wire-line log evaluation will be released to the market as soon as they are available to Aurora.

The EFB E-10 shallow directional well is designed to test the shallow "massives" production sands for commercial gas in an area of the structure where it is believed that significant gas reserves remain to be extracted using modern directional drilling. If EFB E-10 proves to be commercial, additional wells will be required to develop the additional reserve potential.

EFB D-24 Well (East Flour Bluff Gas Field)

Operations to complete the well for commercial production are continuing. The first sand planned to be completed is the J99 sand between 3,329 metres and 3,333 metres (10,921 feet and 10,934 feet). Cement bond logs showed almost no cement behind casing below the J99 sand. Remedial cementing to prevent water from deeper formations entering the well through perforations for gas production is in progress.

BG Webb-1 Well (Flour Bluff Gas Field)

On the 26 July fracture stimulation of the producing K-15 sand was successfully carried out according to program. Flow back of fracture liquids with increasing gas continued until the well was re-connected to the gas sales line at 1500 hours on the 28 July, Texas time. At 0600

hours on the 29 July (latest available report) the well was flowing gas at 2.07 million cubic feet per day with about 12 barrels of condensate per day and 144 barrels of water based fracture liquids per day through a 20/64 inch choke. About 96% of fracture liquids had been recovered by 0600 hours.

Flour Bluff Project - Background

The Flour Bluff Gas Field is an old South Texas giant gas field, which has produced about one trillion cubic feet of gas with associated condensate since it was discovered in 1934. Production has been predominantly from shallow reservoirs between 1,980 metres and 2,600 metres which are now largely depleted.

The Flour Bluff Development Project aims to develop two sets of known but virtually undeveloped deeper reservoirs between 2,750 metres and 3,600 metres. The Flour bluff field remains the only South Texas giant field which has not been deepened and redeveloped in this way.

The field is a relatively simple structure, divided by faulting into the Flour Bluff field to the west of the fault and the East Flour Bluff field to the east. The major reserve potential (104 BCF) is in the Flour Bluff field, with a further 67 BCF in the East Flour Bluff field.

The initial development program consists of three key wells, each designed to test the extent of gas reserves in critical locations in the Flour Bluff field and the East Flour Bluff field. If successful each of the wells would be completed as production wells.

The first well BG Webb-1, in the Flour Bluff field, was drilled to 4,115 metres in March-April 2005. In May 2005 the well was successfully tested and completed for commercial production from the K-15 sand. Production commenced on the 24 June 2005 and continued until the temporary halt to carry out a fracture stimulation of the reservoir on the 26 July 2005.

The EFB D-24 well, the second well in the program, is located in the East Flour Bluff gas field. The well was designed to test a four-way dip closure with 3P (Proved plus Probable plus Possible) recoverable reserves of 17.5 BCF (billion cubic feet) of gas and additional potential for a further 14 BCF (total 31.5 BCF). The well has successfully defined gas pay zones in the primary target and is presently being prepared for completion for commercial gas production from several of these zones.

The third well in the program, EFB E-10 is designed to test the shallow "massives" production sands for commercial gas in areas of the structure where it is believed that significant gas reserves (up to 30 BCF) remain to be extracted using modern directional drilling. The well has recorded gas shows in the target sands and is presently logging to determine whether the well will be cased and a commercial completion attempted.

Ownership

Aurora Oil and Gas Limited through its wholly owned U.S. subsidiary Corpus Christi Gas LP, holds the Project working interests set out in the following table. Aurora's Net Revenue Interests are 70% of the working interests.

Participants working interests through local subsidiaries where applicable are:

	East Flour Bluff	Flour Bluff
Aurora Oil and Gas Limited	16.666%	12.5%
Sun Resources NL	16.666%	12.5%
Victoria Petroleum Limited	16.666%	12.5%
USA Private interests (including Operator)	50.0%	62.5%

Yours sincerely
AURORA OIL & GAS

Alex Neuling
COMPANY SECRETARY

Information contained in this report was compiled from information provided by Texas Crude Energy Inc and reviewed by P D Allchurch, BSc, FAIMM, MPESA, who has had 35 years experience in the practice of geology and more than 5 years experience in petroleum geology.