

2 August 2006

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

By e-Lodgement

North Belridge 26-1H Well, Progress Report

At report time (0600 hours on the 1 August, 2006 California time) the North Belridge 26-1H development well was directionally drilling ahead in the horizontal hole at 12,374 feet measured depth (10,020 feet total vertical depth) within the upper part of the lower log-interpreted oil pay zone of the reservoir. Good oil shows have been obtained from 10,550 feet measured depth to present depth.

Since our last report on the 26 July 2006, directional drilling has continued from the casing at 10,282 feet measured depth (9,979 feet total vertical depth) to present depth.

After drilling the approximately 4000 feet long horizontal portion of the well, a 5 inch diameter production liner will be installed over the full length of the horizontal and sealed back into the casing. The well will then be ready for reservoir stimulation by hydraulic fracturing followed by oil and gas production. Due to contractor availability issues reservoir stimulation, previously booked for the 7 August, is now expected to start in the last week end of August.

Background

North Belridge 26-1H is the first of 10 initial development wells planned on the North Belridge oil discovery, which is located in California, USA. NB26-1H is located close to the vertical discovery well which intersected three oil-bearing reservoir intervals totaling 170 feet at about 9,800 feet and is presently on production from the middle reservoir interval.

The operator of the well is private USA Company, Texas Crude Energy Inc. There are no other listed participants in the development project.

Aurora Executive Chairman, Jon Stewart said: "North Belridge is a recently discovered oilfield and represents an outstanding opportunity for Aurora to participate in the development of a significant on-shore oil discovery during a period of high oil and gas prices. The second well in the 10 well development program is expected to start in August."

Background - North Belridge Oil Field

The North Belridge Oil Field is a new discovery located in the prolific onshore San Joaquin basin of California. Based on the discovery well and seismic, the discovery is estimated by the operator to have potential P50 reserves of 60 million barrels of recoverable oil and 40 billion cubic feet of gas.

Aurora has a 32.5% contributing interest in the NB26-1H well and will receive 32.5% of the revenue until well payback, after which, Aurora's interest reduces to 16.25% (net revenue interest 12.1875%). The Operator's estimate of potential recoverable reserves from this development well is approximately 600,000 barrels of oil.

Based on an analysis of several months of production from the discovery well, the initial production rate from NB26-1H is estimated to be approximately 500 barrels of oil per day. Due to the nature of the reservoir, some water production is expected at the outset and this will continue through the life of the field. The water production does not vary with structural position of a well.

10 horizontal development wells are planned (subject to well results) to be drilled near the discovery well and controlled by existing 2D seismic. A 3D seismic survey is planned to be acquired during drilling of the first 10 wells. The 3D seismic will be used to locate subsequent development wells.

Following the completion of the initial 10 well development drilling program, Aurora has the option to acquire a 7.5% interest in the balance of the Project for the payment of US\$1 million and to participate on a 1:1 basis thereafter in respect of that interest. (Aurora would maintain its 16.25% interest in the initial 10 wells). Assuming successful development of an approximately 60 million barrel field, peak field production could reach in excess of 25,000 barrels of oil per day and Aurora's share of oil reserves would be approximately 5 million barrels. Further drilling and the planned acquisition of new 3D seismic will further delineate the significant additional reserve potential indicated by existing 2D seismic at North Belridge.

Yours sincerely
AURORA OIL & GAS

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 was compiled from information provided by Texas Crude Energy Inc and 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.