

4 December 2006

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

By e-Lodgement

Dear Sir/Madam

SUGARLOAF-1, PRIMARY TARGET- WIRE-LINE LOG INTERPRETATION

Aurora Oil & Gas Limited advises that wire-line logs were successfully run over the open hole section of the Sugarloaf-1 well between 16,998 feet (5,182 metres) and total depth of 20,896 feet (6,371 metres).

Interpretation of wire-line logs over the primary target indicates that an aggregate of 90 feet (27.4 metres) of potential reservoir are gas saturated and may be capable of commercial production after fracture stimulation.

Based on the log interpretation and the gas indications obtained while drilling, the well participants have elected to run and cement a production liner, fracture stimulate and test the zones of potential interest. The total cost of these operations is estimated to be US\$2 million.

By 6am Texas time on 3 December 2006, installation and cementing of the production liner to total depth had been completed and the well was being prepared for temporary suspension so that the deep drilling rig can be released.

Preparation of the well for fracture stimulation and flow testing will be carried out with a smaller work-over rig. An update on the timing of the fracture stimulation and flow testing operations will be provided when the equipment has been contracted.

After the primary target has been tested the joint venture will make a decision on production testing the shallower carbonate reservoirs previously identified as potentially productive.

Participants in the Sugarloaf-1 well are:

Aurora Oil & Gas Limited ¹	20.0%
Texas Crude Energy Inc (Operator) et al ²	41.5%
Eureka Energy Ltd	12.5%
Adelphi Energy Ltd	20.0%
Empyrean Energy plc	6.0%

¹ Through its wholly-owned US subsidiary Sugarloaf Oil & Gas LP

² Includes other US private companies / investors

Further details of the Sugarloaf Prospect and associated farm-in terms are summarised on our website at www.auroraoag.com.au, where a brief review of the US gas market and fiscal terms can also be found.

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.

Information contained in this report concerning the Sugarloaf Prospect 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.