

11 October 2006

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

By e-Lodgement

Dear Sir/Madam

SUGARLOAF-1 WEEKLY PROGRESS REPORT

Aurora Oil & Gas Limited advises that at 6am Texas time on 10th October 2006 the Sugarloaf-1 exploration well, located in the onshore Gulf Coast Basin in Texas, USA, was drilling ahead in 8-1/2 inch hole at a depth of 15,581 feet (4,750 metres).

Since our last report on the 4th October 2006, the well drilled out of casing at 14,480 feet (4,415 metres) and after completing a satisfactory formation integrity test, has advanced to the present depth.

The top of the primary target, the Hosston Formation, is expected at about 17,000 feet (5,183 metres) and assuming trouble-free drilling, is anticipated to be reached in late October. The proposed total depth of the well is 21,000 feet (6,400 metres).

ASX releases will continue be made routinely every Wednesday unless there are material matters which require an earlier release.

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.auroraog.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 background to 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.