

29 September 2006

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

By e-Lodgement

Dear Sir/Madam

SUGARLOAF-1 PROGRESS REPORT 28 METRE POSSIBLE GAS PAY INTERSECTED IN SECONDARY TARGET

Wire-line logs were successfully run over the open hole section of the well between 6,500 feet (1,981 metres) and present well depth of 14,480 feet (4,413 metres).

Interpretation of logs by the operator, Texas Crude Energy Inc, indicates a 92 feet (28 metres) zone of possible gas pay corresponding with the zone of gas shows obtained during drilling in the secondary target (reported to the ASX on the 20th September 2006).

While Aurora considers that the logs are encouraging, the commercial significance of log-interpreted possible pay can only be assessed by flow testing and that there is a risk that the zone may not flow at commercial rates. Flow testing of the zone is not programmed at this time but will be considered after the well has been drilled to total depth and the primary target assessed.

The current operation at the well-site is the running of the 9-5/8 inch intermediate casing to present depth of 14,480 feet (4,413 metres). Once run and cemented, the well will continue drilling in 8-1/2 inch diameter hole to the primary target expected between approximately 17,000 feet (5,182 metres) and proposed total depth of 21,000 feet (6,400 metres). There is a further secondary target in carbonate rocks between present depth and just above the primary target.

Assuming trouble-free drilling, the primary Hosston Formation target is expected to be reached in mid to late October and total depth in mid November.

ASX releases will continue to 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.