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

By e-Lodgement

KENNEDY #1H - OPERATIONS UPDATE

Aurora Oil & Gas ("Aurora") is pleased to provide the market with the following update on operations at the Kennedy #1H well.

Aurora has been advised by the Operator, Texas Crude Energy Inc ("TCEI"), that the isolation plugs set as part of the fracture operations have been drilled out and the well commenced unloading at 0100 hrs on Thursday 28th 2010 (USCST). The initial production rate flowing to sales at 0700 hrs on Saturday 30th January (USCST) using a 22/64 choke was 4.39 mmscf/d gas and 1,132 bpd of condensate. The water production rate, from the recovery of frac fluids, was 408 bwpd.

Whilst these initial rates are very encouraging, the following points should be noted:-

- This is an initial production rate during clean up and is not yet indicative of a short or long term production profile.
- The well still has considerable fluids to recover from the fracture stimulation operations.
- The well is flowing from approximately 2,200 ft of stimulated Eagle Ford Shale with the remainder of the 4,000 ft horizontal liner isolated and not contributing.
- The well is currently producing through the 7" production casing, a production tubing string will be installed in due course.

Aurora Executive Chairman Jon Stewart commented "It is early days but these initial flow rates are extremely encouraging including of course the expected high condensate ratio. We look forward to seeing how the well cleans up and to the imminent frac stimulation of our existing Weston well. Further production performance data will also be gained as Hilcorp complete their farmin obligations across all three AMIs that Aurora participates in. We anticipate a very active year."

Aurora will continue to advise the market on production rates as part of our regular updates or as specifically required.

Yours sincerely
AURORA OIL & GAS LIMITED

Jon Stewart
Executive Chairman

About the Sugarkane Gas and Condensate Field

Aurora has established a substantial landholding position within the Sugarkane Gas and Condensate Field, Texas, providing the Company with the opportunity to benefit from a potential multi trillion cubic feet equivalent (Tcfe) gas and condensate resource.

The Sugarkane Field, discovered in 2006, is a unique Austin Chalk and Eagle Ford Shale reservoir that lies some 20km south of the main Texas Austin Chalk trend and central within the emerging Eagle Ford Shale play. The Sugarkane Field is over pressured, has a high porosity and a high condensate to gas ratio contributing to its commercial value.

The Sugarkane Field covers an identified area exceeding 200,000 acres. Aurora has been allocated a total of 391 Bcf and 72 mmbbls of certified 2C contingent resources by Netherland, Sewell and Associates as a net position as at 1st September 2009.

Prior to the recent farmout Aurora holds interests in three separate project (AMI) areas within the Sugarkane Field with a combined gross land position of 51,791 acres (20,285 acres net to Aurora):

- Sugarloaf Area (20%)
- Longhorn Area (50%)
- Ipanema Area (80%)

Fifteen exploration and appraisal wells have now been drilled into the Sugarkane reservoir since discovery. Four of these wells are within Aurora's area of interest and eleven wells have been drilled by Conoco Phillips in an AMI adjacent to Aurora's area of interest.

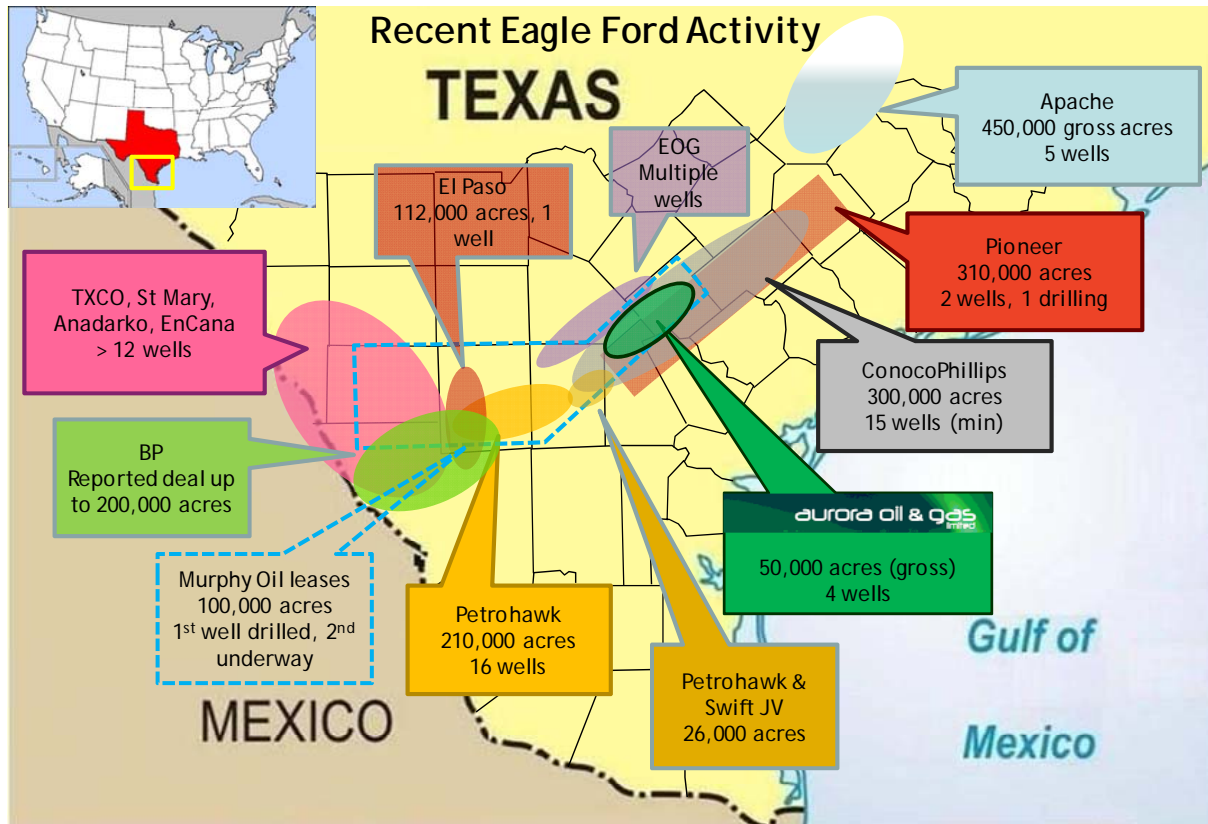
Regional Activity

The map below illustrates the disclosed positions of a number of major US oil and gas companies who have made announcements regarding their participation in the Eagle Ford shale. ConocoPhillips (NYSE:COP) has stated they have about 300,000 acres that includes significant holdings adjacent to our interests to both the south east and north. They are bookended by Petrohawk Energy Corporation (NYSE:HK) with 225,000 acres to the southeast and Apache Corporation (NYSE:APA) to the north. Pioneer Natural Resources (NYSE:PXD) has acreage to the south and east, Murphy Oil Corporation (NYSE:MUR) has acreage to the north and south, while Anadarko Petroleum Corporation (NYSE:APA) and St. Mary Land & Exploration Company (NYSE:SM) are developing some 345,000 and 225,000 acres respectively to the west.

Petrohawk provides the most public information. Based on their presentation dated 12/01/10, they have drilled 27 wells and have 16 operated wells on production with an average initial rate of 7.8 mmcf/d and 143 bpd condensate (8.7 mmcf/d or 10.0 mmcf/d using a 6:1 or 15:1 ratio for condensate respectively). They have continued to acquire land on trend towards the Sugarkane field in a venture with Swift Energy.

Recent announcements have been made relating to nearby Eagle Ford Shale wells which are located just outside the Sugarkane Field. Pioneer released the results of the Sinor #5 well in Live Oak County which is some 18 miles southwest of the Sugarloaf #1 well (Source: Press release Oct 26 2009). The well has reported initial rates of 8.3 mmscf/d of gas and 500 bpd of condensate from a 2,600 ft horizontal section. Pioneer have also reported (Source: Press release Jan 19 2010) the results of the Robert Crawley Gas Unit #1 well, which is a few miles to the southeast of Sinor #5 at 17 mmscf/d IP (dry gas). ConocoPhillips also provided the results of their Bordovsky #1H well as

having initial production of 4 mmscf/d of gas and 1500 bpd of condensate. This well is 18 miles to the northeast of the Sugarloaf #1 well and has exhibited a high condensate ratio which is comparable to that observed in Sugarloaf AML production to date (Source: Q3 Earnings conference call Oct 28 2009).



To date we estimate that there have been over 70 wells reportedly drilled within the regional Eagle Ford play and an analysis of recent announcements indicate that this activity will continue to accelerate in 2010. Petrohawk suggests *"the Eagle Ford shale in this particular area is one of the highest quality shale reservoirs discovered to date in the United States."* The results that we have reviewed to date and the information provided regarding initial flow rates, production decline curve, condensate levels, porosity, organic content, estimated in place resource per unit etc are not only excellent reference points for Sugarkane, but also give us confidence in terms of the relative quality of our acreage.

(Data referencing activities in adjacent acreage has been sourced from publically available information)

Technical information contained in this report in relation to the Sugarloaf project and Sugarkane field was compiled by Aurora from information provided by the project operator and reviewed by I L Lusted, BSc (Hons), SPE, a Director of Aurora who has had more than 15 years experience in the practice of petroleum engineering. Mr. Lusted consents to the inclusion in this report of the information in the form and context in which it appears.