



**AURELIAN**

Aurelian Oil & Gas PLC  
Interim Report 2008

## OPERATIONAL HIGHLIGHTS

Licence	Interest	Operator
<b>Poland</b>		
Poznan East and North Blocks 206, 207 & 208	90%	Aurelian
Bieszczady	25%	POGC
Kalisz	50%	Aurelian
Cybinka Blocks 202/222 and Torzym Blocks 203/223*	35%	Aurelian
<b>Romania</b>		
Bilca Gas Production Unit	62.5%	Aurelian
Brodina Block EIII-1	33.75%	Aurelian
Cuejdiu Block EIII-3	45%	Aurelian
Bacau Block EIII-4	41%	Aurelian
Suceava Block EIV-1	50%	Aurelian
<b>Bulgaria</b>		
B-Golitza & B1-Golitza	50%	JKX
<b>Slovakia</b>		
Svidnik, Medzilaborce and Snina*	50%	Aurelian

\* Subject to completion of farm-out

### Contents

- 01 Highlights
- 02 Chairman and Managing Director's review
- 04 Consolidated income statement
- 04 Consolidated statement of recognised gains and losses
- 05 Consolidated balance sheet
- 06 Statement of changes in shareholders' equity
- 07 Consolidated cash flow statement
- 07 Notes to the consolidated cash flow statement
- 08 Notes to the accounts

## HIGHLIGHTS

### HIGHLIGHTS

- Acquisition of 13.2% interest by Kulczyk Investment House (“KIH”) – see earlier announcement
- 3D Seismic survey acquired over the Siekierki structural trend now being processed. New horizontal well locations expected to be chosen around year-end
- Further success in the Bilca production area in Romania with successful development well, Fratauti-2, new discovery at Vicsani-1 and imminent increase in production capacity with installation of compression facilities
- Acceleration of exploration programme in Poland with introduction of partners to Cybinka and Torzym permits
- Commencement of seismic acquisition programme in Slovakia and introduction of Romgaz and JKX as partners
- 3D seismic to be acquired in eastern part of Golitza permits, Bulgaria

### OUTLOOK

- Continued focus on Siekierki – plans on track to achieve long term test production and gas sales in early 2010
- Drilling results to come from potential high-reward wells at Lilieci and Voitinel in Romania
- Further seismic to be acquired on Polish and Slovakian concessions within the next twelve months
- Continued efforts to add to the Company’s portfolio in the region

## CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

### Introduction

The period has been dominated by our continued efforts to progress the Siekierki project in Poland.

Elsewhere, Aurelian can report successful drilling results in Romania, prudent risk mitigation through farm-out agreements and a further strengthening of the relationship with Romgaz.

On the corporate front, we are delighted to welcome Kulczyk Investment House S.A. ("KIH") as a new shareholder who now hold 13.2% of our total share capital. Kulczyk, as a significant Polish group of companies, are able both to provide invaluable in-country assistance in Poland in advancing our appraisal and development operations and to introduce us to new projects to expand our portfolio.

### Results

The Company generated an operating surplus of €0.48 million. Principally as a result of the comparative strength of the Euro and weakness of sterling and the dollar this converted into a profit before tax for the six months of €1.28 million after including exchange gains, interest, exploration costs and administrative expenses.

The Company has €12 million cash in hand as at 19 September 2008. This is sufficient to fund our exploration programme until the end of 2009 on a dry well basis.

### Poland

The Trzek-1 well drilled in 2007 confirmed the gas potential of the **Siekierki** area. The establishment of a 90 metre gas column in the context of the extensive structural trend indicated the presence of a substantial gas resource. The acquisition phase of the 3D seismic programme over the structural trend is now completed. Processing including pre-stack depth migration is now in progress

and the results, expected before the year end, will determine the optimal locations for horizontal wells to be drilled in 2009, hopefully starting in April.

The new wells to be drilled in 2009 will be placed on long term production test with first gas expected at the beginning of 2010. Arrangements to sell the gas from the Siekierki Project are at an advanced stage.

Activity has also continued on the new Cybinka and Torzym blocks in the Polish **Central Lowlands** Zechstein/Rotliegendes Basin. Partners have been introduced with Romgaz, Avobone and GB Petroleum joining us in **Cybinka** and **Torzym** and Avobone and GB Petroleum also joining us in **Kalisz**. 2D seismic has already been acquired over Kalisz and is being processed.

On the **Bieszczady** concessions in southeast Poland, seismic acquisition is expected to start this autumn, with possible locations being identified for drilling in 2009.

### Romania

In the **Bilca Production Area**, a busy and successful period has seen the drilling of Fratauti-2 and Vicsani-1 both of which will be connected to the production unit where productivity is about to be further enhanced with the installation of compression facilities. Production from the Bilca development area is now running at approximately 45,000 cubic metres per day (1.5 million cubic feet per day) and a sales price currently at €127 per mcm which is gradually increasing towards alignment with European open market pricing.

The Lileci-1 well on the **Bacau** concession is currently being drilled. Romgaz has farmed in, earning a 40% interest by paying a significant proportion of our remaining share of the well costs as consideration.

In the exploration area of the Brodina concession, the **Voitinel** prospect is now ready for drilling. Voitinel comprises a sizeable sub-thrust structure in the centre of the concession and could hold substantial reserves. Drilling is likely to commence around the end of the year.

The Boistea-1 and Dornesti Sud-1 wells on the Cujeidiu and Suceava concessions respectively are still being evaluated and the installation of electricity generation facilities is being considered.

### **Bulgaria**

The focus is now on the gas prospects in the eastern seaboard area of our concessions. The plan is to drill structures similar to and approximately the same age as those being produced offshore in the Black Sea from the Galata gasfield. A 250 square kilometre 3D seismic acquisition programme is about to start over this area.

### **Slovakia**

The large **Svidnik**, **Medzilaborce** and **Snina** concessions lie along the Slovak/Polish border. A 25% interest has now been farmed out to Romgaz, in addition to the 25% previously farmed out to JKX. The acquisition phase of the 2008 seismic programme has been partially completed in conjunction with geological fieldwork.

### **Strategy**

Aurelian continues to focus exclusively on Central Europe, with the major effort currently directed at progressing the appraisal and development of the Siekierki project in Poland. We remain convinced that the Central Europe region, which contains many of the world's oldest oil and gas fields, is still under-explored and, given modern technology, is capable of yielding major new reserves. As part of the European Union, the countries in Central Europe

where we are currently operating, have suffered less from the volatile relationship between Russia and its immediate neighbours. We continue to seek further opportunities for adding to our portfolio particularly by developing our excellent relations with the Ministries and state-controlled companies in this area.

### **Outlook**

2008 has seen most of management effort directed at Siekierki with considerable success. There has also been progress with our continuing plans for maturing exploration programmes on all our concessions, with drilling in Romania and seismic activity ongoing on most of our other concessions. The contribution of farm-in partners to the next phase of exploration on several of our concessions has enabled us to continue to develop our portfolio in other areas.

By the end of 2009, we hope to be within sight of receiving sales revenues from Siekierki as well as implementing an aggressive drilling programme on our other licence areas which would be accelerated by success on one or both of our exploration wells, Lilieci-1 and Voitinel-1.

Once again we are very grateful for our staff's continued dedication and commitment during the very demanding period covered by this review and look forward to their continued efforts in the exciting year ahead. We would also like to thank our shareholders for their continued support and look forward to delivering further value to them as we progress the development of our assets and strategy.



**David Prior**  
Chairman



**Michael Seymour**  
Managing Director

## CONSOLIDATED INCOME STATEMENT

	<b>Unaudited Six months to 30 June 2008 €'000</b>	Unaudited Six months to 30 June 2007 €'000 As restated	Audited Year to 31 Dec 2007 €'000
Revenue	<b>1,042</b>	1,409	2,805
Cost of sales	<b>(567)</b>	(769)	(1,895)
Gross profit	<b>475</b>	640	910
Administrative expenses	<b>(1,002)</b>	(1,115)	(1,965)
Exchange gain/(loss)	<b>1,981</b>	344	3,057
Share based payment costs	<b>(172)</b>	(153)	(384)
Exploration costs written off	<b>(243)</b>	(902)	(9,365)
Other operating income	<b>2</b>	15	25
Operating profit/(loss)	<b>1,041</b>	(1,171)	(7,722)
Finance income	<b>500</b>	1,054	1,764
Finance expense	<b>(265)</b>	(501)	(870)
Profit/(loss) on ordinary activities before taxation	<b>1,276</b>	(618)	(6,828)
Taxation on ordinary activities	<b>-</b>	(86)	(94)
Profit/(loss) for the period after taxation	<b>1,276</b>	(704)	(6,922)

	<b>Unaudited Six months to 30 June 2008 €cents</b>	Unaudited Six months to 30 June 2007 €cents As restated	Audited Year to 31 Dec 2007 €cents
Basic earnings (loss) per 5p ordinary share	<b>0.94</b>	(0.52)	(5.15)
Diluted earnings per 5p ordinary share	<b>0.87</b>	n/a	n/a

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES AS AT 30 JUNE 2008

	<b>Unaudited Six months to 30 June 2008 €'000</b>	Unaudited Six months to 30 June 2007 €'000 As restated	Audited Year to 31 Dec 2007 €'000
Profit/(loss) for the year/period	<b>1,276</b>	(704)	(6,922)
Foreign currency translation difference	<b>(6)</b>	1,265	(2,670)
Total profit/(loss) recognised	<b>1,270</b>	561	(9,592)

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2008

	<b>Unaudited 30 June 2008 €'000</b>	Unaudited 30 June 2007 €'000 As restated	Audited 31 Dec 07 €'000
<b>Non-current assets</b>			
Intangible	<b>34,112</b>	21,240	24,325
Tangible	<b>8,334</b>	10,194	7,792
	<b>42,446</b>	31,434	32,117
<b>Current assets</b>			
Inventory	<b>6</b>	–	6
Trade & other receivables	<b>4,880</b>	2,749	3,883
Cash & cash equivalents	<b>18,021</b>	43,786	29,300
	<b>22,907</b>	46,535	33,189
<b>Total assets</b>	<b>65,353</b>	77,969	65,306
<b>Current liabilities</b>	<b>(4,347)</b>	(6,197)	(5,852)
<b>Non-current liabilities</b>	<b>(3,050)</b>	(5,485)	(3,089)
<b>Net assets</b>	<b>57,956</b>	66,287	56,365
<b>Capital &amp; reserves</b>			
Called up equity share capital	<b>9,891</b>	9,833	9,833
Share premium account	<b>58,640</b>	58,549	58,549
Exchange translation reserve	<b>(1,730)</b>	2,211	(1,724)
Equity share options reserve	<b>824</b>	421	652
Other reserves	<b>3</b>	3	3
Retained earnings	<b>(9,672)</b>	(4,730)	(10,948)
	<b>57,956</b>	66,287	56,365

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital €'000	Share premium €'000	Equity share option reserve €'000	Exch. Translation reserve €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
At 31 December 2007	9,833	58,549	652	(1,724)	3	(10,948)	56,365
Share capital issued	58	91	–	–	–	–	149
Share based payments	–	–	172	–	–	–	172
Profit for the half year	–	–	–	–	–	1,276	1,276
Currency translation	–	–	–	(6)	–	–	(6)
<b>At 30 June 2008</b>	<b>9,891</b>	<b>58,640</b>	<b>824</b>	<b>(1,730)</b>	<b>3</b>	<b>(9,672)</b>	<b>57,956</b>

## CONSOLIDATED CASH FLOW STATEMENT

	<b>Unaudited Six months to 30 June 2008 €'000</b>	Unaudited Six months to 30 June 2007 €'000 As restated	Audited Year to 31 Dec 2007 €'000
<b>Cash flows from operating activities</b>			
Cash flow generated from/(expended on) operating activities	<b>(2,443)</b>	3,639	1,583
Finance income	<b>467</b>	1,082	1,832
Finance expense	<b>(276)</b>	(529)	(924)
Taxes paid	<b>–</b>	(86)	–
<b>Net cash (outflow)/inflow from operating activities</b>	<b>(2,252)</b>	4,106	2,491
<b>Cash flows from investing activities</b>			
Purchase of tangible non-current assets	<b>(1,251)</b>	(4,202)	(4,181)
Purchase of intangible non-current assets	<b>(8,398)</b>	(12,612)	(24,474)
<b>Net cash used in investing activities</b>	<b>(9,649)</b>	(16,814)	(28,655)
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	<b>149</b>	89	88
<b>Foreign exchange translation difference</b>	<b>473</b>	(88)	(1,117)
Increase in cash and cash equivalents in the period	<b>(11,279)</b>	(12,707)	(27,193)
Cash and cash equivalents at start of period	<b>29,300</b>	56,493	56,493
<b>Cash and cash equivalents at end of period</b>	<b>18,021</b>	43,786	29,300

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	<b>Unaudited Six months to 30 June 2008 €'000</b>	Unaudited Six months to 30 June 2007 €'000 As restated	Audited Year to 31 Dec 2007 €'000
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating profit/(loss) for the period	<b>1,041</b>	(1,171)	(7,722)
Adjustments for:			
Expensing of exploration costs	<b>243</b>	902	9,365
Depreciation, depletion and amortisation	<b>523</b>	698	1,565
Exchange differences	<b>(1,986)</b>	(346)	(2,940)
Increase in inventory	<b>–</b>	–	(6)
(Increase)/decrease in trade and other receivables	<b>(963)</b>	(1,334)	(2,507)
Increase/(decrease) in trade and other payables	<b>(1,473)</b>	4,737	3,444
Share based payments	<b>172</b>	153	384
<b>Cash generated from/(expended on) operations</b>	<b>(2,443)</b>	3,639	1,583
<b>Cash and cash equivalents</b>			
<b>Cash at bank</b>	<b>18,021</b>	43,786	29,300

## NOTES TO THE ACCOUNTS

1. The unaudited results have been prepared applying accounting policies which are consistent with those adopted for the accounts for the year ended 31 December 2007.
2. Aurelian treats incorporated entities in which the group holds an interest on a long term basis and which are jointly controlled by the Group as joint ventures. This constitutes a change in accounting policy from that applied in June 2007 and prior periods. The 2007 interim comparatives have been restated but the changes are not considered material to the understanding of the figures in this interim report.
3. The interim report for the six months to 30 June 2008 was approved by the Directors on 23 September 2008.
4. The calculation of the basic earnings per share is based on the weighted average number of shares in issue during the six month period. The diluted earnings per share have been calculated in accordance with the provisions of IAS 33.
5. The interim results are unaudited and do not constitute statutory financial statements as defined in section 240 of the Companies Act 1985.
6. These interim financial statements are in compliance with IAS 34.
7. Copies of this interim statement are available from the Company's website at [www.aurelianoil.com](http://www.aurelianoil.com).



**Aurelian Oil & Gas PLC**  
13/14 Hanover Street  
London W1S 1YH  
Tel: +44 (0)207 629 7986  
[www.aurelianoil.com](http://www.aurelianoil.com)

