



Aurelian Oil & Gas

Buy, target price 70p (85p)

Aurelian farms down 40% of its interest in the Poznan Block in Poland

Events

Aurelian announced that it has signed an agreement with Canamens under which Canamens will farm in to earn a 40% interest in the Poznan blocks by meeting 80% of the total cost of a work programme up to a maximum investment of euros 40 million. Aurelian will bear 10% of the cost of the programme and retain a 50% interest. The work programme is planned to include the cost of two horizontal wells and the installation of gas production facilities for long term testing. Canamens is a private equity funded upstream O&G company. The beneficial interests held in the Siekierki Project, will now be, Aurelian 50%, Canamens 40% and Avobone 10%. Aurelian will continue to be the Operator of the Project.

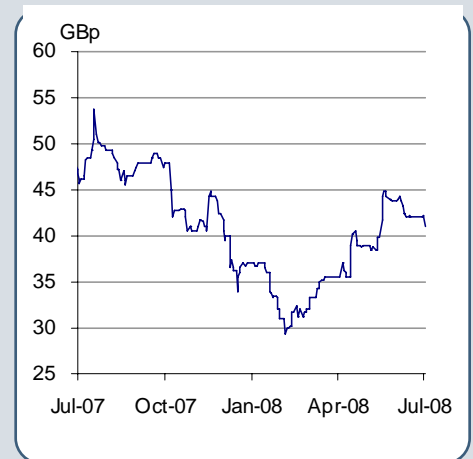
Comments

We expect the market to react very favourably to this announcement. We believe the farm-out is very good news for a number of reasons: 1. It effectively financially de-risks Poznan asset almost entirely. Aurelian's exposure to the first well is now limited to \$2m (vs \$18m before) given the company is 90% carried for the first euros 40m. This reduces our dry hole scenario from \$18m to \$2m. Additionally we estimate that the company overall cash call to production is now reduced to \$6m (instead of \$60m before). This is particularly important given the current credit crunch and general concern of lack of funding for Oil and Gas Juniors. 2. The terms of the farm-out provides an implied valuation for Aurelian share in Poznan asset. Based upon Canamens carrying Aurelian for a net amount of euros 20m (\$30m) for 40% shares in Poznan field, the blocks implied value from the transaction stand at euros 50m (\$75m). Aurelian 50% share in the block is therefore valued at \$37.5 million (50% of \$75m). The euros 20m cost carry would add \$30m to the value of Aurelian interest in the Poznan block, for a total implied valuation of \$67.5m. This is below our initial estimated valuation of about \$100m (\$183m for 90% initial share implies \$102m for 50% current share). This could be expected given that the deal has to be attractive for both the buyer and the seller. This is also representative of a cash constrained market.

Company Statistics

Share Price (p)	23.5
Shares Outstanding (mn)	135.6
Warrants and Options	12.0
Fully Diluted Shares (mn)	147.6
Market Capitalisation (£ mn)	31.9
Average Daily Turnover (£ '000)	49.6
Net Debt/(Cash) (£ mn)	(9.6)
Enterprise Value (£ mn)	22.3
52-week High (p)	49
52-week Low (p)	21.5
Website	http://www.aurelianoil.com

Absolute Share Price



Company Summary

Aurelian Oil & Gas is a well-funded oil and gas E&P company with a diversified portfolio of assets in Central and South-Eastern Europe and an aggressive and ambitious exploration programme.

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Research disclosure as of November, 10th, 2008

Company: Aurelian Oil & Gas

Disclosure: 2, 8, 9

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Aurelian Oil & Gas

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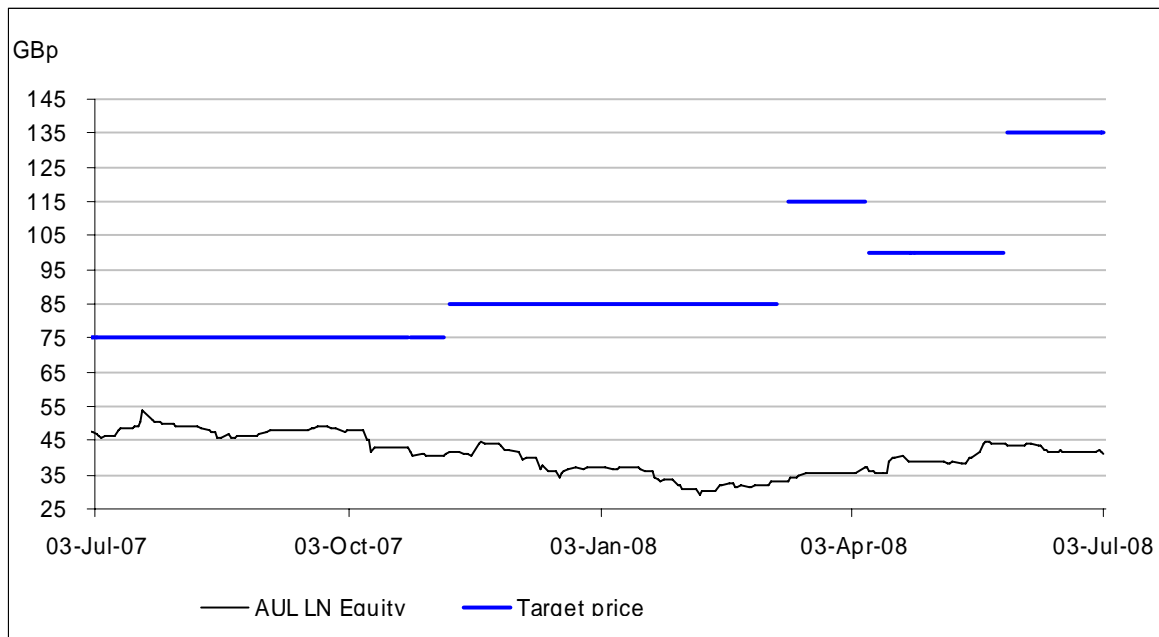
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Sell recommendation means that expected total return expected over 12 months between current and analysts' target price is negative.

Disclosure charts

Exhibit 1: Aurelian share price chart



Source: FDC

Recommendation Summary

Date	Recommendation	Target Price (p)
Oct 3,	Initiate at Buy	n.a.
Mar 8,	Set target price	75.0
Nov 19,	Upgrade target price	85.0
Feb 5,	Maintain target	85.0
Feb 14,	Maintain target	85.0
Mar 14,	Upgrade target price	115.0
Apr 4,	Maintain target	115.0
Apr 7,	Maintain target	115.0
Apr 18,	Downgrade target	100.0
May 29,	Upgrade target price	135.0
June 5,	Maintain target	135.0
June 9,	Maintain target	135.0
July 1,	Maintain target	135.0



Aurelian Oil & Gas

July 3, Maintain target 135.0



Aurelian Oil & Gas

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