

WBC/E2229.01/nxd/0387

15th December, 2009

Aurelian Oil and Gas plc,
13/14 Hanover Street,
London,
W1S 1YH.

Dear Gentlemen,

**COMPETENT PERSON'S REPORT
EVALUATION OF EASTERN EUROPEAN PETROLEUM ASSETS**

INTRODUCTION

Gaffney, Cline & Associates Ltd ("GCA") has assessed the petroleum interests held by Aurelian Oil and Gas plc ("Aurelian") onshore Eastern Europe. These interests comprise 17 Licences in Poland (8), Slovakia (3), Romania (4) and Bulgaria (2) see Figure 0.1 and Table 0.1 attached to this letter. A separate volume to this Competent Person's Report (CPR) which sets out technical detail analytical background in support of the conclusions presented in this CPR statement, has been compiled for Aurelian. This secondary document is entitled "**Competent Person's Report Supplement to the Evaluation of Eastern European Petroleum Assets**", prepared for Aurelian Oil and gas plc".

This CPR is intended to be included and/or appropriately referred to during a forthcoming disclosure. Aurelian has made available to GCA a data set of technical information including geological, geophysical, and engineering data and reports, together with financial data, and details of the fiscal terms applicable to the Licences. In carrying out this assessment GCA has relied on the accuracy and completeness of this information. For many of the Licences, the principal data source has been other reports prepared by or for Aurelian. GCA has completed an independent assessment where judged necessary and where the available data has been sufficient to permit such an independent assessment.

GCA deemed it unnecessary to physically inspect any of the licence areas on this occasion, due to the early nature of the activity, and the absence, in most cases, of significant assets above ground.

GCA uses the Petroleum Resources Management System (SPE PRMS) published by the Society of Petroleum Engineers/World Petroleum Congresses/ American Association of Petroleum Geologists/Society of Petroleum Evaluation Engineers (SPE/WPC/AAPG/SPEE) in March, 2007 as the basis for its classification and categorization of hydrocarbon volumes. An abbreviated form of the SPE PRMS definitions and guidelines are given in Appendix I in the CPR Supplement document.

Reserves, Contingent Resources and Prospective Resources are variously attributed to the Licences, using the outline definitions below.

FIGURE 0.1
LOCATION MAP



Source: Aurelian

Reserves are those quantities of petroleum that are anticipated to be commercially recoverable by application of development projects to known accumulations from a given date forward under defined conditions. Reserves must further satisfy four criteria: they must be discovered, recoverable, commercial and remaining (as of the evaluation date) based on the development project(s) applied. Reserves are further categorized in accordance with the level of certainty associated with the estimates and may be sub-classified based on project maturity and/or characterized by development and production status. The Reserve volumes quoted herein have been determined within the context of an economic limit test (pre-tax and exclusive of accumulated depreciation amounts) assessment prior to any Net Present Value analysis.

Contingent Resources are those quantities of petroleum estimated, as of a given date, to be potentially recoverable from known accumulations, but the applied project(s) are not yet considered mature enough for commercial development due to one or more contingencies. Contingent Resources may include, for example, projects for which there are currently no evident viable markets, or where commercial recovery is dependent on technology under development, or where evaluation of the accumulation is insufficient to clearly assess commerciality.

Prospective Resources are those quantities of petroleum that are estimated, as of a given date, to be potentially recoverable from undiscovered accumulations by application of future development projects. While the expression Prospective Resources includes both Prospects and Leads, only those Prospects that have been sufficiently well defined on the basis of geological and geophysical data such that they may be reasonably considered to be 'drillable', are treated herein as assets eligible for monetary value quantification 'Leads' on the other hand are not sufficiently well defined to be regarded as drillable in the absence of favourable results from further analytical work and/or technical analyses. 'Leads' embody significantly greater risks than Prospects and therefore are not suitable for explicit quantification,

The results of GCA's independent review of Reserves, Contingent Resources and Prospective Resources attributable to Aurelian are summarised in Tables 0.2 – 0.4B.

TABLE 0.2

**PROVED DEVELOPED GAS RESERVES
NET WORKING INTEREST TO AURELIAN AS AT 31ST DECEMBER, 2009**

Country	Licence	Field	Proved Reserves	NPV ₁₀
			BCF	€ MM
Romania	Brodina Production Area	Bilca East (Bilca 1)	0.4	0.79
		Bilca West (Bilca 2)	0.1	0.08
		Fratauti C sand	0.6	1.28
		Fratauti B sand	1.1	2.78
		Vicsani Main	0.2	0.44

Notes:

- I. No Probable or Possible reserves determined.

TABLE 0.3

**CONTINGENT GAS RESOURCES
NET WORKING INTEREST TO AURELIAN AS AT 31ST DECEMBER, 2009**

Country	Licence	Field	Contingent Resources	EMV ₁₀
			BCF	€ MM
Poland	Poznan East	Siekierki	345.9	477.9
Romania	Brodina	Voitinel - Sarmatian	3.5	3.5
		Voitinel - Badenian	11.4	3.2
	Suceava	Vicsani Climauti formerly (bilca sst 04)	1.4	0.8
		Dornesti 01 South Structure	0.7	0.5
Bulgaria	Golitza	05 R-37 Antiform	9.1	6.2

Note:

1. Estimates based on Most Likely Case.
2. It is inappropriate to aggregate Contingent Resources Volumes or report sums of such volumes and their EMV quantification between categories of Resources.
3. Resources in Siekierki are sales gas.
4. Highlighted Field represents a priority project.

TABLE 0.4A

**PROSPECTIVE GAS RESOURCES
NET WORKING INTEREST TO AURELIAN AS AT 31ST DECEMBER, 2009**

Country	Licence	Prospect Name	Prospective Resources	EMV ₁₀
			BCF	€ MM
Poland	Karpaty West	Prospect B	59.4	14.3
Poland	Karpaty West	Prospect C	31.2	6.2
Poland	Karpaty West	Prospect D	16.5	2.0
Poland	Karpaty West	Prospect E	44.6	7.7
Poland	Karpaty West	Prospect F	30.1	4.3
Poland	Karpaty West	Prospect G	25.9	3.5
Poland	Karpaty West	Prospect I	20.7	2.3
Poland	Karpaty West	Prospect J	17.4	1.6
Poland	Karpaty West	Prospect K	32.2	6.5
Poland	Karpaty West	Prospect L	39.1	6.5
Poland	Poznan East	Siekierki North West Area	61.7	8.0
Poland	Poznan East	Krzesinki SW Siekierki	194.2	122.7
Slovakia	Svidnik	Smilno	408.2	136.4
Romania	Brodina Production Area	NE Fratauti	3.9	1.8
Romania	Brodina	NE Codru	11.3	0.4
Romania	Suceava	Dornesti (suc_sst_01 - South Upside)	3.0	1.1
Romania	Suceava	Dornesti (suc_sst_deep_extra)	2.4	0.7
Romania	Cuejdiu	Ghindaoani Central	12.8	3.2
Romania	Cuejdiu	Ghindaoani N	7.7	0.9
Romania	Cuejdiu	Ghindaoani S	10.5	2.2
Romania	Bacau	Siretu	14.6	0.7
Bulgaria	BI Golitza	01 Onlapping Eocene Trough	14.6	1.8
Bulgaria	BI Golitza	03 Combination Trap Across Unconformity	5.4	0.9
Bulgaria	BI Golitza	06 Shkorpilovtci HW - Upper (Para-Autochthon)	5.9	0.3
Bulgaria	BI Golitza	11 Chiflik (Autochthon)	15.0	1.8
Bulgaria	BI Golitza	13 Cretaceous Slug (Autochthon)	4.1	0.1
Bulgaria	BI Golitza	15 Rudnik Antiform (Allochthon)	6.6	0.3

Notes:

1. Estimates based on Most Likely Case.
2. It is inappropriate to aggregate Prospective Resources Volumes or report sums of such volumes, or their EMV quantifications, between categories of Resources.
3. The primary function of a series of Prospective Resource EMV estimates is often taken to be as an 'opportunity force-ranking' parameter.
4. Highlighted Prospects represent priority projects.

TABLE 0.4B

**PROSPECTIVE OIL RESOURCES
NET WORKING INTEREST TO AURELIAN AS AT 31ST DECEMBER, 2009**

Country	Licence	Prospect Name	Prospective Resources	EMV ₁₀
			MMBbl	€ MM
Poland	Karpaty East	Mszana Dolna Upper (South)	104.5	186.5
Poland	Karpaty East	Mszana Dolna Lower (North)	191.0	350.5
Poland	Bieszczady	Rudawka Oligocene and Eocene	59.5	104.9

Notes:

1. Estimates are based on the Most Likely Case.
2. It is inappropriate to aggregate Prospective Resources Volumes or report sums of such volumes, and their EMV quantification between categories of Resources.
3. The primary function of a series of Prospective Resource EMV estimates is often taken to be as an 'opportunity force-ranking' parameter.
4. Highlighted Prospects represent priority projects.

The reported hydrocarbon volumes are estimates based on professional judgment and are subject to future revisions, upward or downward, as a result of future operations or as additional information becomes available. It should also be noted that the corresponding Net Present Values (NPVs) or Estimated Monetary Values (EMVs) of future revenue potential of a petroleum property, such as those discussed in this report, do not represent a GCA opinion as to the market value of that property, nor any interest in it.

GCA is an independent energy consultancy specialising in petroleum reservoir evaluation and economic analysis. In the preparation of this report, GCA has maintained, and continues to maintain, a strict consultant-client relationship with Aurelian. The management of GCA have been, and continue to be, independent of Aurelian in the services they provide to Aurelian including the provision of the opinion expressed in this review. Furthermore, the management of GCA have no interest in any assets or share capital of Aurelian, or in the promotion of Aurelian.

This report must only be used for the purpose for which it was intended.

QUALIFICATIONS

GCA is an independent international energy advisory group of 47 years' standing, whose expertise includes petroleum reservoir evaluation and economic analysis.

The report is based on information compiled by professional staff members who are full time employees of GCA. Staff who participated in the compilation of this report includes Mr. William B. Cline, Dr. J.W. Barker, Mr A Hollis, Mr E Bartkowiak, Mr. J.O.H. Griffith and Mr J Chan.

All hold degrees in geoscience, petroleum engineering or a related discipline.

Mr. Cline is a Senior Partner and Principal of GCA, with over 48 years of industry experience. He has a BSc in Petroleum and Natural Gas Engineering, is a Chartered Engineer in the U.K. and Registered Professional Engineer in the U.S.A. He is also a Member of the Institute of Gas Engineers and the Society of Petroleum Engineers.

Dr. Barker is a senior reservoir engineer with 23 years industry and research experience. He has an M.A. in Mathematics from the University of Cambridge and a Ph.D. in Applied

Mathematics from the California Institute of Technology, and is a member of the Society of Petroleum Engineers.

Mr A Hollis has a degree in Geology from the University of London and has 32 years experience in the oil industry as a petroleum engineer. He is a member of the Society of Petroleum Engineers and a Fellow of the Geological Society of London.

Mr E Bartkowiak has a BSc in Geology from the University of London and has 30 years experience in the oil industry as a petroleum geologist. He is a member of the Petroleum Exploration Society of Great Britain.

Mr. J Griffith is a senior economist with 30 years experience. He has a B.A. in Economics from the University of West Indies and is a member of the Society of Petroleum Engineers.

Mr J Chan is an economist with 8 years experience in financial and economic analysis. He has a M.Soc.Sc. in Economics from the National University of Singapore and B.Sc. in Economics from University of London. He is a member of the Association of International Petroleum Negotiators and International Association for Energy Economics.

BASIS OF OPINION

This assessment has been conducted within the context of GCA's understanding of the effects of petroleum legislation, taxation, and other regulations that currently apply to these properties. However, GCA is not in a position to attest to property title, financial interest relationships or encumbrances thereon for any part of the appraised properties. It should be understood that any determination of hydrocarbon volumes and corresponding NPVs or EMVs, particularly involving petroleum developments, would be subject to significant variations over short periods of time as new information becomes available and perceptions change.

Yours sincerely,

GAFFNEY, CLINE & ASSOCIATES



William B. Cline BSc., CEng., FIGEM

TABLE 0.1
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SUMMARY OF LICENCES

POLAND (8 Licences)

Poland Poznan East and North Blocks		
	Poznan East	Poznan North
Date of Mining Usufruct Agreement :	27 th August, 2002	26 th June, 2008
Date of Award of Concessions:	21 st February, 2003	24 th June, 2008
Term of Initial Exploration Period:	Six Years (extended by one year)	Three Years
Term of Extension	Three Years :	
Expiry of Extension:	2 st February, 2012	24 th June, 2011
Area:	1,578 sq km	155 sq km
Partners :	Energia Zachod Sp. z o.o. 100%*	Energia Zachod Sp. z o.o. 100%*
Work Obligations: Extension Period	Appraise Siekierki. Acquire 200 kms of 2D seismic in Block 208. Contingent upon the results, drill one well and 3D seismic. Siekierki appraisal wells planned for 2010. Seismic to be completed in 2011.	Seismic Reprocessing, 50 kms of new seismic and one contingent well (Seismic undertaken during 2009. Well tentatively planned for early 2011).
Notes:		
The licence is held by Energia Zachod Sp. z o.o., a joint company owned 90% by Aurelian and 10% by Avobone S.A.		
2010 Programme – Two Appraisal Wells to be drilled. FEED Study and Facilities construction commenced		
2011 Programme – Complete second Appraisal well, Facilities construction and tie in wells to regional grid and test production.		

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SUMMARY OF LICENCES

Poland Central Lowlands Block 249 (Kalisz)		
Date of Mining Usufruct Agreement :	29 th August, 2007	
Date of Award of Concessions:	7 th February, 2008	
Term of Initial Exploration Period:	Six Years	
Area :	960 sq km	
Partners (Limited Liability Partnership):	Aurelian Oil & Gas Poland Sp.z o.o.	49.00%
	Energia Kalisz Sp. z o.o. (Aurelian, Operator)	1.00%
	Energia Kalisz Sp. z o.o. Sp k.	0.00%
	GB Petroleum plc	25.00%
	Avobone S.A. (Aurelian effective interest 50%)	10.00%
Work Obligations: Years One to Three Years Four to Six	325 sq km of 2-D seismic data One Well	
Notes: Aurelian's effective interest is 50%; 49% from Aurelian Oil & Gas Poland SP zoo and 1% from Energia Kalisz Sp Zoo a 100% owned Aurelian LLP.		
2012 Programme – Acquire remaining new 2D seismic		
2013 Programme – Drill Exploration Well to 3,500 metres		

Poland Central Lowlands Blocks 202/222 and 203/223 (Cybinka and Torzym)		
	Cybinka	Torzym
Date of Mining Usufruct Agreement :	29 th August, 2007	29 th August, 2007
Date of Award of Concessions:	7 th February, 2008	7 th February, 2008
Term of Initial Exploration Period:	Six Years	Six years
Area (combined):	681 sq km	570 sq km
Partners (Limited liability partnership):		
Aurelian Oil & Gas Poland Sp.z o.o.	34.00%	34.00%
Energia Cybinka Sp. z o.o. (Aurelian, Operator)	1.00%	
Energia Cybinka Sp. z o.o. Sp k.	0.00%	
Energia Torzym Sp. z o.o. (Aurelian, Operator)		1.00%
Energia Torzym Sp. z o.o. Sp k. (Aurelian)		0.00%
GB Petroleum plc	25.00%	25.00%
Avobone	10.00%	10.00%
S.N.G.N. Romgaz	30.00%	30.00%
Work Obligations : Years One to Three Years Four to Six	110 sq km of 3-D seismic One Well	110 sq kms of 3-D seismic One Well
2010 Programme -	Acquire 110 sq km 3D seismic	
2011 Programme -	One Exploration well to 2,800 metres	
2012-2013 Programme	Two Appraisal wells	Acquire 110 sq km 3D seismic and drill one Exploration well

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SUMMARY OF LICENCES

Poland Carpathian Bieszczady Blocks 416, 417, 436, 437, 438, 456, 457 and 458		
Date of Mining Usufruct Agreement	21 st December, 1999	
Date of Award of Concessions Extensions :	31 st October, 2008	
Term of Exploration Period:	Six Years	
Expiry of Concession Extensions:	31 st October, 2014	
Area :	3,547 sq km	
Partners:	Polskie Gornichtwo Nafty i Gazownichtwo (Operator)	51.00%
	Energia Bieszczady Sp. z o.o. (Aurelian)	25.00%
	Eurogas Polski Sp. z o.o.	24.00%
Work Obligations	343 km of 2D seismic and three wells Survey completed and interpretation ongoing.	
2010 Programme -	250 km 2D seismic and one Exploration well to 2,000 metres	
2011 Programme -	Drill one Appraisal well and a second Exploration well Complete remaining seismic acquisition	

Poland Karpaty W & Karpaty E, Carpathians Blocks and Part-Blocks 410/430 (Cieszyn), 411/431 (Bielsko Biala), 412 (Budzow), 432 (Jordanow) and 433 (Mszana Dolna)		
	Karpaty W	Karpaty E
Date of Mining Usufruct Agreement:	Various from April, 2009	Various from February, 2009
Date of Award of Concessions:	Various from February, 2009	Various from February, 2009
Term of Initial Exploration Period:	Five Years	Five Years
Area:	2,230 sq km	1,296 sq km
Partner: Aurelian Oil & Gas Poland Sp.z o.o.	100.00%	100.00%
Work Obligations: Year One	Seismic reprocessing	Seismic reprocessing
Years Two and Three	New seismic	New seismic
Years Four and Five	Drill 1 well	Drill 1 well
Notes: Farm-out discussions ongoing. Expected to be complete late December 2009/early 2010. Aurelian's post-farm-out interests are Karpaty West (60%); Karpaty East (80%).		
2010 Programme – Reprocess 2,350 kms of old 2D seismic for Karpaty East		
2011 Programme – Shoot 200 kms of new 2D seismic for Karpaty West and drill one Exploration well in Karpaty East		
2012 Programme – drill one Exploration well in Karpaty West		

Note:

- I. The Karpaty West and East blocks are held under separate licences.

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SUMMARY OF LICENCES

SLOVAKIA (3 Licences)

	Svidnik	Medzilaborce	Snina
Date of commencement	1 st August, 2006	1 st August, 2006	1 st August, 2006
Date of expiry of Initial Term	1 st August, 2010	1 st August, 2010	1 st August, 2010
Area:			
Partners : Aurelian Oil & Gas S.R.O.	50%	50%	50%
JKX Oil & Gas	25%	25%	25%
Romgaz	25%	25%	25%
Work Obligations	None Outstanding	None Outstanding	None Outstanding
Notes:	Intends to renew block and agree to new obligations.		
	2010 Programme – Shoot 150 kms of 2D seismic		
	2011 Programme – Shoot 150 kms of 2D seismic and drill 2 Exploration wells		

ROMANIA (4 Licences)

Romania Brodina Block EIII-I – Bilca Gas Production Area		
Date of Commencement:	27 th November, 2002	
Date of Expiry of First Term (as extended)	31 st March, 2010	
Area (together with Brodina Exploration Area) :	1,475 sq km	
Partners :	Aurelian Oil & Gas Romania S.R.L.	62.50%
	S.N.G.N. Romgaz	37.50%
Notes:	<ol style="list-style-type: none"> Block EIII-I Bilca Gas Production Area is a ring-fenced economic part of the overall Brodina Block discussed in this Table 0.1 summary and below. Aurelian acquired Europa Oil and Gas's equity in this economic part; hence the difference in Aurelian's equity compared with the Exploration Area set out in below. No remaining work commitment. Licence to be renewed as part of agreeing work programme for the entire block by 31st March, 2010. 	
	2010 Capex Programme – Extension of Pipeline River Crossing	
	2011 Capex Programme – None planned	

Note:

- The above two Brodina Block entities are held under a single licence.

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SUMMARY OF LICENCES

Romania Brodina Block EIII-1 – Exploration Area		
Date of Commencement:	27 th November, 2002	
Date of Expiry of Initial Term(as extended)	31 st March, 2010	
Date of Expiry of First Extension	31 st March, 2012 (subject to agreeing a new obligatory Work Programme note 4 above)	
Area (together with Bilca Area)	1,475 sq km	
Partners	Aurelian Oil & Gas Romania S.R.L.	33.75%
	S.N.G.N. Romgaz	37.50%
	Europa Oil & Gas	28.75%
Work Obligations:	The obligations for the initial period are fulfilled	
2010 Programme	Re-enter Voitinel-1 and test second zone, drill Voitinel-2, evaluate extension of Voitinel trend and construct facilities	
2011 Programme	Drill Voitinel-3,4 and 5 and develop field for first production in September, 2011	

Romania Cuejdiu Block EIII-3		
Date of Commencement:	27 th November, 2002	
Date of Expiry of Initial Term:	27 th November, 2008 (this date was extended by one year)	
Date of Expiry of First Extension	27 th November, 2012	
Area :	1,035 sq km	
Partners	Aurelian Oil & Gas Romania S.R.L.	45.00%
	S.N.G.N. Romgaz	37.50%
	Europa Oil & Gas	17.5%
Work Obligations for four-year extension :		
Years One & Two (2009 & 2010)	A commercial evaluation of the electricity generation potential for Boistea-1 A full evaluation of the remaining Sarmatian potential in the eastern part of the block A full evaluation of the sub-thrust zone potential in the central part of the block Fieldwork and a structural study of the Fold Belt 150 kms of new seismic acquisition in the western part of the block	
Year Three (2011)	Either a further 50 kms of seismic or one Exploration well	
Year Four (2012)	One Exploration well	
2010 Programme	Fieldwork	
2011 Programme	150 km 2D Seismic in Fold Belt	
2012 Programme	150 km 2D Seismic in Fold Belt and drill one Exploration well	

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SUMMARY OF LICENCES

Romania Bacau Block EIII-4		
Date of Commencement:	27 th November, 2002	
Date of Expiry of Initial Term (as extended):	30 th June, 2009	
Date of Expiry of First Extension	30 th June, 2011	
Area:	1,275 sq km	
Partners outside Lilioci Non Consent Area	Aurelian Oil & Gas Romania S.R.L.	41.00%
	S.N.G.N. Romgaz	40.00%
	Europa Oil & Gas	19.00%
Partners inside Lilioci Non Consent Area	Aurelian Oil & Gas Romania S.R.L.	60.00%
	S.N.G.N. Romgaz	40.00%
Work obligations:	200 km of seismic 1 well	
Notes: The Lilioci Area is an economic unit within the block in which Europa Oil & Gas has elected not to participate. Participation in the remainder of the block is as defined for “ Outside Lilioci Non Consent Area”		
2010 Programme – Discussion underway to transfer licence and obligations to Romgaz		
2011 Programme – Discussion underway to transfer licence and obligations to Romgaz		

Romania Suceava Block EIV-I		
Date of Commencement:	July, 2004	
Date of Expiry of Initial Three-Year term:	July, 2007	
Date of Expiry of Second Two-Year term	30 th June, 2010 (to be extended)	
Area :	4,103 sq km	
Partners	Aurelian Oil & Gas Romania	50.00%
	Regal Petroleum	50.00%
Work Obligations:	One well is obligated before July, 2010.	
	Well Climauti-I, approved and will be drilled in 2010.	
2010 Programme	One shallow well at Climauti	
2011 Programme	Limited field work	

TABLE 0.1
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SUMMARY OF LICENCES

BULGARIA (2 Licences)

Bulgaria Block B-Golitzza & BI-Golitzza		
	B-Golitzza	BI-Golitzza
Date of commencement of Concession Agreement	17 th March, 2002	16 th August, 2004
Date of expiry of Concession Agreement :	17 th March, 2005	16 th August, 2007
Date of expiry of First Extension:	17 th March, 2007	16 th August, 2009
Date of expiry of Second Extension:	17 th March, 2010	16 th August, 2012
Area:	3,040 sq km	971 sq km
Operator:	JKX Oil & Gas	JKX Oil & Gas
Partners : Balkan Explorers (Bulgaria) Limited	30%	30%
JKX Oil & Gas	40%	40%
Sorgenia E&P	30%	30%
Work Obligations	None Outstanding	None Outstanding
Note:		
Intends to renew B-Golitzza. Part of the block will be relinquished and the remainder merged with BI- Golitzza.		
Will agree to drill 1 or 2 wells.		
2010 Programme – Drill two wells to 2,500 metres		
2011 Programme – Drill one well to 2,500 metres		