

# Aurelian Oil & Gas PLC

## (“Aurelian” or the “Company”)

Final results for the year ended 31 December 2009

Aurelian, the exploration and production company focussed on Central Europe, is pleased to announce its final results for the year ended 31 December 2009.

### Key highlights

- Organisational transformation – new senior management team appointed, strengthening technical depth and project execution and John Conlin appointed Chairman elect in March 2010
- New strategy announced based on focus, activity and growth
- Long term gas sales agreement signed for Siekierki project
- Equity placings raising €13.5 million (€12.8 million net of fees) in June and €39.0 million (€37.0 million net of fees) in February 2010. Current cash of €48.3 million, sufficient to fund up to eight wells over the next two years
- New CPR issued by Gaffney Cline & Associates significantly upgraded the resource estimates across Aurelian’s portfolio to 372 bcf of Contingent Gas Resources and 1.3 tcf of Prospective Gas Resources and 385 mmbbls of Prospective Oil Resources
- Important strengthening of partnerships - relationship with PGNiG extended with a Joint Venture across Karpaty blocks; farm out to Sorgenia on Bulgarian exploration acreage
- Gas sales revenue increase of 61% to €3.0 million and partial reversal of previous year’s impairment charge, reduces loss for year to €0.4 million (2008: loss €4.4 million)
- Cash inflow from operating activities €1.0 million (2008: outflow €5.0 million)
- Largest discovery to date at Voitinel-1, Romania – potentially up to 400 bcf gas in place in Voitinel and along trend
- Six new exploration blocks awarded in prospective Carpathian region in southern Poland
- 3-D interpretation significantly increases volumes in Siekierki “tight gas” project in Poland

Rowen Bainbridge, CEO of Aurelian commented:

***"We are funded, have strengthened the organisation with an exceptional team and have very material opportunities in a stable and energy hungry part of the world - this is an almost unique proposition for a company of our size. Our financial results are encouraging given the difficult economic environment of 2009 and reflect the real progress that has been made in changing the whole operational ethos of the Company.***

***We have a clear and focussed strategy and a first mover advantage in two emerging resource plays. We have a nine well drilling programme in 2010 and 2011, with two significant wells to drill in 2010 on our world class Siekierki Gas field. Furthermore, with the drilling of our first Carpathian high impact exploration well, Bieszczady-1, eight seismic surveys acquiring 900 km of 2-D and 220 km<sup>2</sup> of 3-D and the completion of our strategic partnering process for Siekierki and our strategic option analysis on Romania, we can look ahead to 2010 as the most exciting year in Aurelian's history."***

**7 April 2010**

**Enquiries:**

|   |  |               |
|---|--|---------------|
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**Notes to Editors:**

Aurelian Oil & Gas PLC, is a European focussed E&P Company whose core purpose is to create shareholder value through the capture, evaluation, exploration, appraisal and development of onshore hydrocarbon resources and the application of conventional technologies to underexplored proven hydrocarbon systems. It was founded in December 2002, by Michael Seymour to focus on the established oil provinces in the central European countries of the former CIS where there had been little investment in seismic and drilling technology during the previous 20 years.

## **Chairman's Statement**

### **Introduction**

2009 has been a year of fundamental transformation for Aurelian. The year began with a difficult economic environment and low investor confidence as the global recession affected all sectors of the economy. Aurelian was not immune to the effects of the downturn; our share price suffered and our farm-in partner in our flagship Siekierki project in Poland was forced to withdraw for non technical reasons. In difficult conditions we raised €13.5 million (€12.8 million net of fees) in June through an equity placing to ensure that we could continue to fund our operations at a time when many AIM listed oil and gas companies were struggling to raise capital or even survive. We followed this with the appointment of a new Chief Executive and Chief Financial Officer and the new team devised a more focused strategy, concentrating on two Core Areas, the Rotliegendes and Zechstein plays in Central and Western Poland and the Carpathian Thrust Fold belt in Southern Poland, Slovakia and Central Romania; we have made substantial progress in both areas. Aurelian ends the year well placed to deliver value from its excellent portfolio of assets, especially after securing a further €39.0 million (€37.0 million net of fees) of equity funding in February 2010 from our successful institutional placing.

### **The year under review**

Our Polish business and the development of the Siekierki tight gas project remained our key priority in 2009. The interpretation of the 3-D seismic survey in April led us to increase our expected recoverable gas volumes across the asset. Indeed, as we spend more time deepening our technical understanding of the Siekierki field, the more encouragement we have that we hold an asset with world class potential.

In October the execution of a long term Gas Sales Agreement with our Polish partner, Kulczyk Investments, was a major milestone for the Siekierki Project, removing the gas marketing risk and enabling us to focus on the execution of the drilling campaign and the facilities design.

Our Carpathian's exploration strategy in southern Poland has also advanced during the year with the successful acquisition and interpretation of 2-D seismic in Bieszczady providing some very interesting prospects and leads. We were also awarded the East and West Karpaty blocks and entered into a strategic partnership with Polish Oil and Gas ("PGNiG") to explore this highly prospective region. This is a very important development and will provide a significant growth platform for the company over the coming years.

In Romania positive progress has been made through the drill bit, particularly with the Voitinel-1 well which was drilled in the autumn and where we have made potentially our biggest discovery to date; we now believe we may have up to 400 bcf of gas in place within Voitinel and along the trend within the block. 2009 also yielded a significant improvement in our operating and financial performance. It was a record year for production in Romania with annual production totalling almost 1 bcf, an improvement of 85% compared to the previous year, leading to a 61% increase in revenue to €3.0 million for the period.

Exploration activities progressed in Bulgaria where we successfully acquired a 3-D seismic program over the gas prone Golitza area and continued to develop prospects for drilling in 2010 with our partners JXX and Sorgenia. Further progress was also made maturing our Slovakian blocks where we have acquired and interpreted 2-D seismic and also with the further assessment of the prospective

Kalisz, Cybinka and Torzym licences in Western Poland. In all we now have a significant prospect inventory across all our areas of operation.

The appointment of a new Chief Executive, Rowen Bainbridge and Chief Financial Officer, Mark Reid, led to a strategic review which has repositioned the company around Core Areas in the Southern Permian Basin and the Carpathian Thrust Fold Belt. The review was accompanied and informed by a revised Competent Persons Report ("CPR") performed by Gaffney Cline & Associates which significantly upgraded the resource estimates across our portfolio to 372 bcf of Contingent Gas Resources, 1.3 tcf of Prospective Gas Resources and 385mmbbls of Prospective Oil Resources. This was instrumental in helping Aurelian to explain its investment case more clearly and resulted in the value of its assets being more fully reflected in the pricing of its equity.

## **Relationships**

Over the year we strengthened our strategic relationships with a number of key partners; Polish Oil and Gas Corporation ("PGNiG"), Avobone, Romgaz and Kulczyk Investments in particular. These relationships are a fundamental part of Aurelian's strategy and one of the Company's key strengths. Our experience, regional understanding and capability makes us the partner of choice for national oil companies and new operators alike and we look forward to developing further relationships in the future.

## **Financial**

The withdrawal of Canamens from the Siekierki project reduced our financing flexibility in the early part of 2009. As a consequence the Board decided to raise equity through a placement in June. This was a difficult decision but absolutely essential to secure the long term future of the business. The placing raised €13.5 million (€12.8 million net of fees) and provided the catalyst to reorganise and bring in a new senior executive team.

In the autumn we received an all share merger approach from an industry participant. The Board considered the proposal but felt that it materially undervalued the business and therefore rejected it in favour of a further capital raise. This was achieved in February 2010 when we raised €39.0 million (€37.0 million net of fees) through a placing which has also broadened the company's institutional shareholder representation and increased the liquidity of our shares. The Company now has sufficient funds to execute its stated business plan over the next two years, which removes the financing risk that was overhanging the share price, and allows the Company to negotiate partnerships into its key projects from a position of strength.

Despite the difficult economic conditions, 2009 saw a significant improvement in the Company's financial performance with a €4.0 million reduction in the loss after tax to €0.4 million. Net cash flows from operating activities also improved in 2009 resulting in a €1.0 million cash inflow compared to a €5.0 million cash outflow in 2008. This was driven largely by an 85% increase in revenues from Romania as two additional wells came on stream and a new compressor was installed.

In line with the Company's dividend policy no distribution to shareholders will be made at this time.

## **Board and Employees**

One of our key objectives during the year has been to add both technical depth and project execution skills to the Board. This has been achieved with the appointments of Rowen Bainbridge and Mark

Reid and with the arrival as a Non-Executive Director of David Walker, whose many years of experience at BHP Billiton and Amoco have already proved invaluable.

I would like to thank John Lippitt, Paul Hilton and Frank Jackson who left the Board during the year for their important contributions. I also welcome Chairman-elect, John Conlin, and wish him well as I step down at the Company's next annual general meeting. We now have in place a Board of Non-Executive and Executive Directors with significant business experience and knowledge across the upstream oil and gas business.

Michael Seymour, the founder of Aurelian and former Chief Executive and President of Aurelian, retired as an executive in April 2010 but remains on the Board as a Non-Executive Director. I would like to pay tribute to him as a remarkable exploration entrepreneur with whom it has been a privilege and delight to work. There would be no Aurelian without him. His knowledge and special relationships will continue to provide Aurelian with a source of advantage.

There has been much organisational change within Aurelian over the year and I would like to take the opportunity to thank those people who have left the company for their contributions and also those employees, contractors and consultants who have worked so tirelessly for us in often difficult circumstances. We have weathered the storm together and are now well placed for the challenges that lie ahead.

### **Outlook**

We have a very encouraging outlook for 2010 and beyond. We have a clear and focussed strategy and a first mover advantage in two emerging resource plays both with huge potential. With two significant wells to drill in our world class Siekierki gas asset we are looking ahead to the most exciting year in Aurelian's history. In Bieszczady we will drill our first high impact Carpathian thrust fold belt well. Success in either will materially change the value of the company.

I look forward to the year of delivery that lies ahead and a strong and rising share price.

**David Prior, Chairman**

## **Chief Executive's Review**

### **Introduction**

It is with great pleasure that I write my first annual review as Chief Executive of Aurelian. The Company has navigated the most difficult economic conditions over the past year and has successfully completed a significant transformation in its fortunes. Aurelian has re-focused its activities and moved itself into a strong position to capture the material upside in its asset portfolio.

We have continued to build on our first mover advantage and regional expertise in Central Europe and are now planning an active exploration and appraisal program with up to nine high impact wells using proven oil field technology. We have recapitalised the company and removed the funding risk that had been weighing down the share price. We have also made significant progress in deepening the technical strength at board and executive level. This has already born fruit with improved operating and financial performance, increased production and reduced drilling times and well costs. With seismic acquisition of 716 km of 2-D and 260 km<sup>2</sup> of 3-D, seismic purchase of 1,048 km of 2-D and seismic processing and reprocessing of 1,903 km of 2-D and 540 km<sup>2</sup> of 3-D across nine licences we are generating a material prospect inventory.

With a new team and funding in place we are looking ahead to an exciting time in the coming year as we deliver our pipeline of projects.

### **Health, Safety, Environment and Community**

Aurelian is committed to ensuring that we operate at all times in a safe and responsible manner to achieve our stated goal of Zero Harm. Our health and safety performance throughout the year was good with no lost time incidents. We have continued to improve our policies with progress made in all areas. Sustainable development and environmental best practice are our objectives and we remain committed to maintaining strong relationships with the communities in all the countries in which we operate.

### **Strategic Review and Updated CPR**

Shortly after I arrived as Chief Executive in July, the board and senior executive conducted a strategic review of the business. The review highlighted Aurelian's significant land position, some 22,694 km<sup>2</sup> or the equivalent to 105 North Sea Blocks across our 22 licences; this was too large for the limited human and financial resources at the group's disposal. The consequence was poor performance, particularly with regard to project execution and reserves conversion. This was reflected in Aurelian's share price particularly after the withdrawal of Canamens from the Siekierki project and the 2009 capital raise. There was an imperative to align shareholders around a strategic plan and to measure performance against it with clearly defined milestones.

A root and branch review of the portfolio was undertaken with a detailed evaluation of the prospect inventory. This led to the formulation of a new strategy focusing on two "Core Areas". A "Core Area" for Aurelian is one that has the potential to deliver over \$500million of value or 50 mmboe of reserves net to Aurelian. The two Core Areas for Aurelian are the Permian Basin, particularly the Rotliegendes and Zechstein plays in central and western Poland and the Carpathian Thrust Fold Belt in southern Poland, Slovakia and central Romania.

Romania and Bulgaria remain areas of operation that need to be tested as they do not yet have the materiality to be considered Core Areas at this point. They will be tested applying minimum investment and divested in the coming year unless significant upside is identified.

In October a new Competent Persons Report "CPR" was commissioned to give an independent expert's view of the Aurelian portfolio and to further validate the Core Area strategy. The CPR confirmed what we had always believed - Aurelian's portfolio had material upside that was not being valued. We now have external validation of 2.4 bcf of Proven Reserves, 372 bcf of Contingent Gas Resources, Prospective Gas Resources of 1.3 tcf and Prospective Oil Resources of 385mmbbl (all under the SPE Petroleum Resources Management System classification). These represented significant increases in the previously disclosed resources volumes across the entire Aurelian portfolio particularly in the Siekierki asset in Poland.

The Gaffney Cline report was instrumental in changing the perception of the Aurelian portfolio. The Company had not published a CPR since its listing in 2006 since when it had acquired very prospective blocks in Poland and Slovakia and performed significantly more technical work across all its assets. This enhanced disclosure is part of our new strategy and has provided stakeholders with a clear picture of the scale of our prospective resources in terms of volume and value. The market reaction to the clarity of communication demonstrates that this is something we must build on in the future.

The combination of our new focused strategy and updated CPR provided much needed momentum to the company. It has improved capital discipline by concentrating our minds on the assets that matter. In order to maximise shareholder value over the next two years, our drilling program is targeting 90% of the expected monetary value that we have ascribed to the assets in our CPR

### **Organising to deliver**

We have enhanced the technical depth and project execution skills of the Company. The arrival of David Walker, as a Non-Executive Director, and Chris Brown, as director of Exploration, with their many years of upstream experience has already had a big impact. Mark Reid's arrival has sharpened our focus on capital allocation. I also welcome Chairman-elect John Conlin. We now have in place a Board of Non-Executive and Executive Directors and a senior management team with significant experience and track records covering all aspects of the upstream oil and gas business.

On our flagship Siekierki Project we have assembled a team of the best available professionals with deep technical understanding of tight gas reservoirs and the knowledge and experience to apply the best technology available to deliver commercial success.

I would also like to add to the Chairman's remarks and thank employees, contractors and consultants for all their hard work during the year in the most trying of circumstances.

## Performance Review

### Core Assets

#### 1) Southern Permian Basin; Rotliegendes and Zechstein plays in Central and Western Poland

Our Polish business and the Siekierki tight gas development remained the key priority in 2009. The withdrawal of our 40% farm-in partner Canamens set the project back nearly nine months by removing a source of funding and operating experience which was disappointing. Their exit, which was solely for non technical reasons, did provide us with more time to carry out further technical work and the better understanding that we now have leaves us with our full 90% interest in what we perceive to be a more valuable asset.

We have continued with the interpretation and mapping of the 300 km<sup>2</sup> 3-D seismic survey conducted in 2008. Additional analysis of the rock properties, analogues (such as Leer and Solingen) and well recovery rates from the Tzrek-1 vertical well has justified a considerable increase in gross rock volumes and thus to the enhanced expected recoverable gas volumes from Siekierki (346 bcf net to Aurelian) described in the Gaffney Cline CPR.

| All Figures 100%         | Minimum | Most Likely | Maximum  |
|--------------------------|---------|-------------|----------|
| GIIP                     | 769 bcf | 1576 bcf    | 3607 bcf |
| Contingent Gas Resources | 181 bcf | 428 bcf     | 859 bcf  |

*Siekierki Resources; Source Gaffney Cline & Associates CPR December 2009*

During the year the company acquired and interpreted 61 km of new 2-D seismic and purchased and interpreted 131 km of legacy 2-D seismic on Poznan North which indicated further upside potential across the Siekierki structure. Additional prospective resources were also identified to the south-west of Siekierki on Poznan East, most notably the Krzesinki Prospect where the potential for a further 2 tcf of gas-in-place was identified. PGNiG has also made a significant tight gas discovery in the adjacent Grundy prospect in partnership with FX Energy; a prospect that could well extend into our Block 208. We now believe that Siekierki could have up to 5.5 tcf of Gas-in-place and with the additional significant potential in and around the area has the potential to create a substantial tight gas business.

October saw the execution of the Siekierki Gas Sales Agreement with our Polish partner Kulczyk Investments for an initial term of 10 years. The agreement, which is indexed to the regulated wholesale tariff, secures attractive pricing and also provides for sales during the project start up phase allowing Aurelian to focus on the sub-surface and facilities development. The plan for the Siekierki Project in 2010/11 is to drill two multi-fraced horizontal wells (MFHW), construct a gas processing facility and put the wells on long term test in the second half of 2011. This will allow the company to establish commercial production, begin the conversion of resources to reserves and move on to full field development. A strategic partner is being sought and discussions continue with a number of major oil and gas companies.

In Kalisz, the gas play nearby to Siekierki but on trend with the better porosity and permeability discoveries made by PGNiG to the south of our Poznan East concessions, we acquired 244 km of new

seismic and 396 km of legacy data and are developing an interesting lead (Stawizyn) on this gas prone block.

Elsewhere in this Core Area, further assessment of the prospective Cybinka and Torzym licences in western Poland continued with the purchase and reprocessing of 519 km of vintage seismic further increasing the attractiveness of the oil play on the blocks.

## **2) Carpathian Thrust Fold Belt, southern Poland, Slovakia and central Romania**

Our Carpathian exploration strategy in southern Poland also advanced during the year with the successful acquisition of 281km of 2-D seismic providing some very interesting prospects and leads on Bieszczady. We were also awarded the East and West Karpaty blocks and also formed a strategic partnership with PGNiG for exploration in this highly prospective region. This is a very important development and provides a significant platform for growth over the forthcoming years.

Further progress was also made maturing our Slovakian blocks where we have acquired 130 km of 2-D seismic and firmed up prospects on the Svidnik Block, which contain Prospective Resources of 408bcf net to Aurelian.

### **Other assets and operations**

#### **Romania**

2009 saw a significant turnaround in operating performance in Romania. We successfully commissioned the compression facilities at our Bilca gas processing complex and tied-in two extra wells achieving record production for 2009 of 957 mmscf, an 85% increase from 2008. This resulted in a 61% increase in revenue for the year to €3.0m and contributed to the improvement in Group net cash flow on operating activities to €1.0m from a net outflow of €5.0m in the prior year.

Progress has been made through the drill bit particularly with the Voitinel-1 well, on the Brodina licence, where we made our biggest potential discovery to date in November which leads us to believe we may have up to 400 bcf of gas in place within Voitinel and along trend within the block. This is particularly pleasing because our initial prognosis was not promising with the deeper Badenian target testing water. The Sarmatian horizons discovered on the Voitinel part of the Brodina licence cover a large area. Further testing of the sand in the Voitinel-1 well, combined with the results from the Romgaz Paltinu 102 and 103 wells drilled just across the southern block boundary could add further volumes above and beyond our initial estimates. We will know what we have by the end of the second quarter of 2010 when we will be able to establish whether Romania should be a Core Area for the company.

We also tested the Lilieci discovery in our Bacau block which flowed at 4.5 mmscf/day: we are now working on a compressed natural gas development option for Lilieci in conjunction with our existing discoveries of Boistea and Dornesti. There should be further announcements on this project in the coming year.

## **Bulgaria**

Exploration activities also progressed in Bulgaria where we successfully acquired a 260 km<sup>2</sup> 3-D program over the gas prone Golitza area and continued to develop prospects for drilling in 2010.

Post the year end the Company's wholly owned Bulgarian subsidiary, Balkan Explorers (Bulgaria) Limited, together with Overgas Inc. AD, a Joint Venture company controlled by Gazprom, and JKX (Bulgaria) Limited, has signed an agreement with the Minister for Environment and Waters in Bulgaria for the award of the Provadia licence, onshore in eastern Bulgaria.

The Provadia block covers an area of 1,787 sq kms, part of which was carved out of the B-Golitza and B1-Golitza licences in 2007. The play involves large structures containing Palaeozoic reservoirs classically trapped under a Permian salt seal. Provadia will be operated by Overgas. As part of the arrangements, Overgas will pay no less than €4,003,860 of the minimum work programme, effectively providing a free carry to Aurelian and its partner JKX through this phase of the project.

This is a "zero cost option" on what could be very large structures in a block close to our existing areas of operation.

## **Summary and Outlook**

2009 has been a year of transition as we emerged from a period of acute financial stress. We have made real progress in changing the whole operational ethos of the Company. The marketing risk has been removed from Siekierki and concentrated technical work has upgraded best estimates of production and contingent and prospective resources.

We are funded, we have strengthened the organisation, we have an exceptional team and we have very material opportunities in a stable and energy hungry part of the world. This is an almost unique proposition for a company of our size.

We have a clear and focussed strategy and a first mover advantage in two emerging resource plays. We have a nine well drilling programme in 2010 and 2011, with two significant wells to drill in 2010 on our world class Siekierki Gas field. Furthermore, with the drilling of our first Carpathian high impact exploration well, Bieszczady-1, eight seismic surveys acquiring 900 km of 2-D and 220 km<sup>2</sup> of 3-D and the completion of our strategic partnering process for Siekierki and our strategic option analysis on Romania, we can look ahead to 2010 as the most exciting year in Aurelian's history.

We will continue to high grade the organisation at both Board and Executive Level and mature its business processes as we grow. We will execute the strategy that we have laid out and bring in the right partners at the right time to help us. I look forward immensely to the year ahead.

**Rowen Bainbridge, Chief Executive**

## Consolidated statement of comprehensive income

|   | Notes | Year to<br>31-Dec-09<br>€'000   | Year to<br>31-Dec-08<br>€'000   |
|---|-------|---------------------------------|---------------------------------|
| Revenue   |       | 2,977                           | 1,850                           |
| Cost of sales   |       | (780)                           | (4,143)                         |
| Gross profit/(loss)   |       | 2,197                           | (2,293)                         |
| Other administrative expenses                                   |       | (2,451)                         | (1,960)                         |
| Transaction related professional costs                          |       | 659                             | (882)                           |
| Exchange gain   |       | 24                              | 1,604                           |
| Share-based payment costs                                       |       | (394)                           | (1,079)                         |
| Exploration costs written off                                   |       | (92)                            | (339)                           |
| Total administrative expenses                                   |       | (2,254)                         | (2,656)                         |
| Other operating income  |       | 43                              | 10                              |
| Operating loss  |       | (14)                            | (4,939)                         |
| Finance income  |       | 86                              | 703                             |
| Finance expense   |       | (495)                           | (174)                           |
| Loss before tax   |       | (423)                           | (4,410)                         |
| Taxation  |       | (6)                             | -                               |
| Loss for the year attributable to owners of the parent          |       | (429)                           | (4,410)                         |
| <b>Other comprehensive income</b>                               |       |                                 |                                 |
| Foreign currency translation loss                               |       | (524)                           | (7,231)                         |
| Total comprehensive income attributable to owners of the parent |       | (953)                           | (11,641)                        |
|   |       | Year to<br>31-Dec-09<br>€ cents | Year to<br>31-Dec-08<br>€ cents |
| Loss per share – basic and diluted loss per 5p ordinary share   | 2     | (0.23)c                         | (3.26)c                         |

## Statement of changes in equity

|   | Share capital | Share premium | Equity share option reserve | Exchange translation reserve | Other reserves | Retained deficit | Total equity |
|---|---------------|---------------|-----------------------------|------------------------------|----------------|------------------|--------------|
|   | €'000         | €'000         | €'000                       | €'000                        | €'000          | €'000            | €'000        |
| <b>Consolidated</b>                     |               |               |                             |                              |                |                  |              |
| At 1 January 2008                       | 9,833         | 58,549        | 652                         | (1,724)                      | 3              | (10,948)         | 56,365       |
| Total comprehensive income for the year | -             | -             | -                           | (7,231)                      | -              | (4,410)          | (11,641)     |
| Share capital issued                    | 59            | 90            | -                           | -                            | -              | -                | 149          |
| Share based payments                    | -             | -             | 1,078                       | -                            | -              | -                | 1,078        |
| At 31 December 2008                     | 9,892         | 58,639        | 1,730                       | (8,955)                      | 3              | (15,358)         | 45,951       |
| Total comprehensive income for the year | -             | -             | -                           | (524)                        | -              | (429)            | (953)        |
| Share capital issued                    | 5,606         | 7,881         | -                           | -                            | -              | -                | 13,487       |
| Share issue costs                       | -             | (664)         | -                           | -                            | -              | -                | (664)        |
| Share based payments                    | -             | -             | 394                         | -                            | -              | -                | 394          |
| At 31 December 2009                     | 15,498        | 65,856        | 2,124                       | (9,479)                      | 3              | (15,787)         | 58,215       |

### Share capital

Amounts subscribed for share capital at nominal value

### Share premium account

The share premium account represents the amounts received by the Company on the issue of its shares which was in excess of the nominal value of the shares.

### Equity share options reserve

The balance held in the equity share options reserve relates to the fair value of the share options that have been charged to the Statement of Comprehensive Income since adoption of IFRS 2.

### Exchange translation reserve

The exchange translation reserve includes movements that relate to the retranslation of the subsidiaries whose functional currencies are not the Euro.

### Retained deficit

Cumulative net gains and losses recognised in the Statement of Comprehensive Income.

**Statement of financial position**

|                                       | Notes | Group<br>As at<br>31-Dec-09<br>€'000 | Group<br>As at<br>31-Dec-08<br>€'000 |
|---------------------------------------|-------|--------------------------------------|--------------------------------------|
| <b>Non current assets</b>             |       |                                      |                                      |
| Oil & Gas costs pending determination |       | 40,210                               | 34,563                               |
| Other intangible assets               |       | 23                                   | 23                                   |
| Property, plant and equipment         |       | 4,999                                | 5,453                                |
| Investments                           |       | -                                    | -                                    |
|                                       |       | <hr/>                                | <hr/>                                |
|                                       |       | 45,232                               | 40,039                               |
| <b>Current assets</b>                 |       |                                      |                                      |
| Inventory                             |       | 3                                    | 6                                    |
| Trade and other receivables           |       | 4,650                                | 7,269                                |
| Cash and cash equivalents             |       | 13,989                               | 6,019                                |
|                                       |       | <hr/>                                | <hr/>                                |
|                                       |       | 18,642                               | 13,294                               |
| <b>Total assets</b>                   |       |                                      |                                      |
|                                       |       | <hr/>                                | <hr/>                                |
|                                       |       | 63,874                               | 53,333                               |
| <b>Current liabilities</b>            |       |                                      |                                      |
| Trade and other payables              |       | (3,403)                              | (4,794)                              |
| Loans and borrowings                  |       | (635)                                | (609)                                |
| <b>Non current liabilities</b>        |       |                                      |                                      |
| Loans and borrowings                  |       | (1,621)                              | (1,979)                              |
| <b>Net assets</b>                     |       |                                      |                                      |
|                                       |       | <hr/>                                | <hr/>                                |
|                                       |       | 58,215                               | 45,951                               |
| <b>Capital and reserves</b>           |       |                                      |                                      |
| Called up equity share capital        |       | 15,498                               | 9,892                                |
| Share premium account                 |       | 65,856                               | 58,639                               |
| Equity share options reserve          |       | 2,124                                | 1,730                                |
| Exchange translation reserve          |       | (9,479)                              | (8,955)                              |
| Other reserves                        |       | 3                                    | 3                                    |
| Retained deficit                      |       | (15,787)                             | (15,358)                             |
|                                       |       | <hr/>                                | <hr/>                                |
|                                       |       | 58,215                               | 45,951                               |
|                                       |       | <hr/>                                | <hr/>                                |

## Statement of cash flows

|   | Note | Group<br>Year ended<br>31-Dec-09<br>€'000 | Group<br>Year ended<br>31-Dec-08<br>€'000 |
|---|------|---|---|
| <b>Cash flows from operating activities</b>                   |      |   |   |
| Cash generated from/(used in) operations                      | 3    | 1,540                                     | (4,754)                                   |
| Interest paid   |      | (487)                                     | (168)                                     |
| Tax paid  |      | (6)                                       | (94)                                      |
| <i>Net cash generated from/(used in) operating activities</i> |      | 1,047                                     | (5,016)                                   |
| <b>Cash flows from investing activities</b>                   |      |   |   |
| Purchase of property, plant and equipment                     | 4    | (238)                                     | (3,540)                                   |
| Purchase of intangible non current assets                     |      | (8,242)                                   | (14,903)                                  |
| Contribution to past exploration costs                        |      | 2,417                                     | -   |
| Interest received   |      | 92  | 702                                       |
| Amounts invested in subsidiaries                              |      | -   | -   |
| <i>Net cash used in investing activities</i>                  |      | (5,971)                                   | (17,741)                                  |
| <b>Cash flows from financing activities</b>                   |      |   |   |
| Proceeds from issue of ordinary shares net of issue costs     |      | 12,823                                    | 149                                       |
| Repayment of Gemini loan                                      |      | (247)                                     | (290)                                     |
| <i>Net cash generated from/(used in) financing activities</i> |      | 12,576                                    | (141)                                     |
| Increase/(decrease) in cash and cash equivalents in the year  |      | 7,652                                     | (22,898)                                  |
| Cash and cash equivalents at start of year                    |      | 6,019                                     | 29,300                                    |
| Foreign currency translation differences                      |      | 318                                       | (383)                                     |
| Cash and cash equivalents at end of year                      |      | 13,989                                    | 6,019                                     |

## Notes to the accounts

### 1. Segmental information

The group has five reportable segments as set out below. The operating results of each of these segments are regularly reviewed by the Group's chief operating decision makers in order to make decisions about the allocation of resources and to assess their performance.

During the year revenue of €2.977m (2008 - €1.850m) was recognised by the Romanian segment, in respect of customers comprising 10% or more of the Group's total revenue for the year.

| <b>2009</b>   | <b>Poland<br/>€'000</b> | <b>Romania<br/>€'000</b> | <b>Bulgaria<br/>€'000</b> | <b>Slovakia<br/>€'000</b> | <b>Corporate<br/>€'000</b> | <b>Total<br/>€'000</b> |
|---|-------------------------|--------------------------|---------------------------|---------------------------|----------------------------|------------------------|
| Revenue   | -                       | 2,977                    | -                         | -                         | -                          | <b>2,977</b>           |
| Cost of sales   | -                       | (780)                    | -                         | -                         | -                          | <b>(780)</b>           |
| Other operating costs (net)   | (414)                   | (308)                    | (52)                      | (134)                     | (1,303)                    | <b>(2,211)</b>         |
| Segment result (Operating (loss)/profit)  | (414)                   | 1,889                    | (52)                      | (134)                     | (1,303)                    | <b>(14)</b>            |
| Finance income  | 8                       | 12                       | -                         | 1                         | 65                         | <b>86</b>              |
| Finance expense   | -                       | (2)                      | -                         | -                         | (493)                      | <b>(495)</b>           |
| Loss before tax   | (406)                   | 1,899                    | (52)                      | (133)                     | (1,731)                    | <b>(423)</b>           |
| Taxation  | -                       | (6)                      | -                         | -                         | -                          | <b>(6)</b>             |
| Loss for the year attributable to owners of the parent  | (406)                   | 1,893                    | (52)                      | (133)                     | (1,731)                    | <b>(429)</b>           |
| Segment assets  | 27,485                  | 18,071                   | 3,172                     | 2,492                     | 12,654                     | <b>63,874</b>          |
| Segment liabilities   | (227)                   | (543)                    | (984)                     | (600)                     | (3,305)                    | <b>(5,659)</b>         |
| Cost in year to acquire property, plant and equipment and intangible fixed assets                   | 4,036                   | 2,711                    | 1,448                     | 298                       | 199                        | <b>8,692</b>           |
| Receipts in respect of farm-out arrangements  | -                       | -                        | (2,417)                   | -                         | -                          | <b>(2,417)</b>         |
| Depreciation, depletion and impairment of property, plant and equipment and intangible fixed assets | (12)                    | (325)                    | (10)                      | -                         | (182)                      | <b>(529)</b>           |

Included in Cost of Sales is a reversal of an impairment charge of €1.0m in respect of Oil & Gas development assets

| <b>2008</b>   | <b>Poland</b> | <b>Romania</b> | <b>Bulgaria</b> | <b>Slovakia</b> | <b>Corporate</b> | <b>Total</b>   |
|---|---------------|----------------|-----------------|-----------------|------------------|----------------|
|   | <b>€'000</b>  | <b>€'000</b>   | <b>€'000</b>    | <b>€'000</b>    | <b>€'000</b>     | <b>€'000</b>   |
| Revenue   | -             | 1,850          | -               | -               | -                | <b>1,850</b>   |
| Cost of sales   | -             | (4,143)        | -               | -               | -                | <b>(4,143)</b> |
| Other operating costs (net)   | (356)         | (200)          | (27)            | (96)            | (1,967)          | <b>(2,646)</b> |
| Segment result (Operating loss)   | (356)         | (2,493)        | (27)            | (96)            | (1,967)          | <b>(4,939)</b> |
| Finance income  | 18            | 1              | -               | -               | 684              | <b>703</b>     |
| Finance expense   | -             | (2)            | (1)             | -               | (171)            | <b>(174)</b>   |
| Loss before tax   | (338)         | (2,494)        | (28)            | (96)            | (1,454)          | <b>(4,410)</b> |
| Taxation  | -             | -              | -               | -               | -                | -              |
| Loss for the year attributable to owners of the parent  | <b>(338)</b>  | <b>(2,494)</b> | <b>(28)</b>     | <b>(96)</b>     | <b>(1,454)</b>   | <b>(4,410)</b> |
| Segment assets  | 24,510        | 16,826         | 4,147           | 2,609           | 5,241            | <b>53,333</b>  |
| Segment liabilities   | (439)         | (982)          | (2,099)         | (494)           | (3,368)          | <b>(7,382)</b> |
| Cost in year to acquire property, plant and equipment and intangible fixed assets                   | 7,330         | 6,494          | 2,525           | (156)           | 399              | <b>16,592</b>  |
| Depreciation, depletion and impairment of property, plant and equipment and intangible fixed assets | (58)          | (3,665)        | (10)            | 50              | (435)            | <b>(4,118)</b> |

Included in Cost of Sales is an impairment charge of €2.89m in respect of Oil & Gas development assets

## 2. Earnings per share

|  | 31-Dec-09          | 31-Dec-08          |
|--|--------------------|--------------------|
| Earnings for the purposes of basic and diluted earnings per share (loss for the period attributable to equity holders) | €'000<br>(429)     | €'000<br>(4,410)   |
| Basic weighted average number of shares  | No.<br>189,500,889 | No.<br>135,354,619 |
| Loss per 5p share in Euro Cents  | Cents<br>(0.23)c   | Cents<br>(3.26)c   |

Exercise of the share options and warrants would lead to dilution of future earnings per share.

The diluted earnings per share has been calculated in accordance with the provisions of IAS 33 and is the same as the basic earnings per share for the period.

The effect of all potential ordinary share issues arising from the exercise of options going forward is considered to be anti-dilutive. 12,677,987 (2008: 12,169,826) potential ordinary shares have been excluded from the above calculation as they are anti-dilutive.

## 3. Cash flow from operating activities

|   | Group<br>31-Dec-09<br>€ 000 | Group<br>31-Dec-08<br>€ 000 |
|---|-----------------------------|-----------------------------|
| Loss after tax  | (429)                       | (4,410)                     |
| <i>Adjustments for:</i>                                 |                             |                             |
| Finance income  | (86)                        | (703)                       |
| Finance expense   | 495                         | 174                         |
| Other operating income                                  | (43)                        | -                           |
| Tax charge for the year                                 | 6                           | -                           |
| Share based payments                                    | 394                         | 1,079                       |
| Expensing of exploration costs                          | 92                          | 339                         |
| Depreciation, depletion and amortisation                | 1,522                       | 914                         |
| Impairment (credit)/charge on oil and gas development   | (1,005)                     | 2,890                       |
| Exchange differences                                    | (210)                       | (1,581)                     |
| Decrease in inventory                                   | 3                           | -                           |
| Decrease/(increase) in trade and other receivables      | 2,614                       | (3,385)                     |
| (Decrease)/increase in trade and other payables         | (1,411)                     | (71)                        |
| Waiver on loan on settlement of exit of farm-in partner | (402)                       | -                           |
| Cash generated from/(used in) operations                | 1,540                       | (4,754)                     |

#### **4. CASH FLOW – PURCHASE OF PROPERTY, PLANT AND EQUIPMENT**

During the year the Group acquired property, plant and equipment with an aggregate cost of €238,173 (2008: €3,540,229) of which €23,857 (2008: €nil) was acquired through finance leases. The net book value of assets purchased under finance leases at 31 December 2009 was €43,373 (2008 - €46,897).

#### **5. PUBLICATION OF NON-STATUTORY ACCOUNTS**

The financial information for the years ended 31 December 2009 and 31 December 2008 set out in this announcement does not constitute the Group's statutory financial information but is extracted from the Company's audited financial statements for those years. The auditors have reported on the full accounts for both periods and their reports were unqualified, the 2008 accounts included an emphasis of matter in respect of going concern.

#### **6. ANNUAL REPORT**

The Company's Annual Report and copies of this announcement will be available on the Company's website at [www.aurelianoil.com](http://www.aurelianoil.com).