Aurelian Oil & Gas PLC
Annual Report and Accounts 2006

AURELIAN

HIGHLIGHTS

Contents

2006 – A TRANSFORMATIONAL YEAR

- First gas sales achieved from Bilca development, Romania
- Farm-in to Suceava Block, Romania, earning 50% interest and operatorship
  - seismic completed identifying a number of prospects and leading to the first well, Dornesti-1, in Q2 2007
- Heads of agreement signed with Eurogas to earn 25% interest in Bieszczady Blocks, Southeast Poland
- Awarded three new licences in Slovakia, Aurelian 100%
  - existing data being re-processed and seismic being prepared for early 2008
- Raised €62.8 million during the year through private placements and AIM Listing
- Cash balances of €56.5 million at the year-end

2007 – UP TO EIGHT WELLS PLANNED IN THE NEXT TWELVE MONTHS

- Romania:
  - Increased participation in the Company’s three concessions in Romania (Brodina, Cuejdiu and Bacau)
  - Five to six wells to be drilled
  - Radauti East-1 expected to spud in April, Arbore-1 prospect following back to back
  - First wells to be drilled on Cuejdiu (Boistea-1) and Bacau (Schineni-1) Blocks planned for Q3
  - Additional seismic to be acquired over the Voitinel structure for possible drilling early 2008
  - Dornesti-1 to be drilled in the Suceava concession in Q2
- Poland:
  - Trzek-1 well, Poznan East Block, spudded in March
  - New 2D seismic to be acquired over the Bieszczady Blocks
- Bulgaria:
  - Golitza-1, Bulgaria, expected to spud in early April
- Slovakia:
  - Reprocessing old data, with further seismic work expected to commence early 2008

ABOUT AURELIAN

WHO WE ARE

Aurelian Oil & Gas PLC (Aurelian) is focused on the re-emerging central and south-eastern European oil and gas markets and owns a diversified portfolio of exploration and production assets with a range of risk profiles in Poland, Romania, Slovakia and Bulgaria.

WHAT WE DO

Aurelian is exploring in areas and at depths previously inaccessible due to lack of access to technology. It is also working on previous discoveries, unlocking the value by using western technology and techniques.

OUR STRATEGY FOR GROWTH

The strategy of the Company is to develop its assets through acquisition and processing of additional seismic and drilling, as well as to acquire interests in exploration and producing assets with upside potential. Management continues to evaluate new opportunities in the region. The Company is confident it will be successful in a number of applications for additional exploration licences.

AURELIAN IS FOCUSED ON THE RE-EMERGING CENTRAL AND SOUTH-EASTERN EUROPEAN OIL AND GAS MARKETS.

THE KEY STRENGTHS THAT SET US APART ARE:

1. OUR VISION
2. GEOGRAPHICAL FOCUS
3. WELL BALANCED PORTFOLIO
4. CORPORATE RESPONSIBILITY
5. TECHNICAL EXPERTISE

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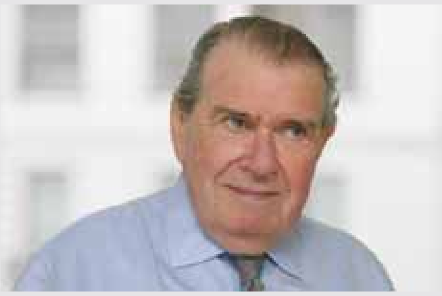
CHAIRMAN'S REVIEW



Anthony John Lippitt
Non-executive Chairman

IT IS THE BOARD'S PRESENT INTENTION TO DEVELOP AURELIAN INTO A SIGNIFICANT OIL AND GAS PRODUCER BY THE END OF THE DECADE, GROWING BOTH THROUGH EXPLORATION SUCCESS, AND BY ACQUISITION OF ASSETS WITHIN OUR GEOGRAPHICAL AREA OF FOCUS.

Introduction

In the year under review, Aurelian has been transformed from a small privately owned cash-constrained exploration company into a well-financed AIM listed PLC with a rounded portfolio of projects and an ambitious exploration drilling programme aimed at increasing our gas reserves. The work required to accomplish this transformation has been enormous and we are very grateful to our staff and advisers for the efforts well beyond the line of normal duty that they have dedicated to our affairs.

Period under review

The raising of equity of €62.8 million net of costs during the year, the AIM listing, the securing of new concessions in Slovakia, Poland and Romania, and the development of our gas discoveries in Romania, not to mention the establishment of our new offices in London and Bucharest and the purchase completed in January 2007 of Millennium International Resources Corporation, have all been major achievements.

In anticipation of a growing aversion to oil and gas exploration risk in capital markets, we resolved in January 2005 to obtain funding to secure the future development of the Company. We started with the conversion of our convertible loan stock as a precursor to raising €34 million in February 2006 from five institutional investors. This was followed by a further placing and a rights issue securing an additional €12 million in the run-up to the listing of our shares on AIM in August when we raised a further €19 million. The support that we continue to receive from our major institutional shareholders is a source of great encouragement to us.

After listing at 55 pence, the share price at 30 March was 53 pence. Whilst this price level is largely a function of the current market which attributes little value to exploration assets, it is disappointing and, we believe, significantly undervalues the assets of the Company. We all hope that exploration success will bring about a transformation.

The capital we have raised has enabled us to initiate an ambitious exploration programme and should carry us through to 2009 without reverting to the market for further funding. By then, we expect to have sufficient production revenue to fund our continuing exploration programme.

The two major problems being experienced today by oil and gas companies worldwide are a shortage of rigs and equipment and a shortage of experienced manpower to develop and manage the programmes. Aurelian finds itself in a fortunate position in both respects. The countries of Central Europe, unlike those in other parts of the world, have maintained many of their state-owned service companies largely intact. Today, rigs are still available for work within the region and, because of the long history of production, the levels of personnel skills and competence are high. Aurelian has been able to build up a good management team in its country offices supported from the UK by consultants and service providers, almost all of whom have been working in the region since the Berlin Wall came down in 1989. While other companies are suffering from a shortage of effective technical manpower, Aurelian is in excellent shape.

2006 financial results

Although revenues from gas sales commenced in the last quarter of 2006, Aurelian has also been concentrating on maturing its exploration prospects to be ready for the 2007 drilling campaign, which is now getting under way. The Company recorded an accounting loss for the year of €2.3 million, and a net cash outflow of €1.3 million on operating activities.

The Company is well funded with €56.5 million in cash at 31 December 2006. These resources will finance the exploration programme through to a time when production revenue will fund the ongoing programme from 2009 onwards.

Management changes

2006 has also seen our UK-based management team strengthened and we have been very pleased to welcome Roy Hartley as Operations Director, Ivan Inchenko as Exploration Manager and Sami Sardar as Financial Controller. These new members of the team bring a wealth of experience and greatly strengthen our ability to carry out the ambitious programmes planned for the coming years. We are now fully staffed to manage and direct our present level of activity to best advantage.

During the year we have also welcomed David Prior to the Board as Non-executive Deputy Chairman, and Guy Elliott and Paul Hilton as Non-executive Directors. All have made important contributions to our operations for which we are grateful, as we are to all our staff, both in London under the management of Michael Seymour and Frank Jackson, and in our country offices under the supervision of our excellent country managers.

We would also like to thank Miles Donnelly who left our Board during the year for his invaluable contribution during his time with Aurelian towards development of the Company through its formative years.

It is intended that David Prior will take over the Chairmanship of your Company at the end of the 2007 Annual General Meeting. I shall remain on the Board as a Non-executive Director. I am sure that David will provide the strong leadership the Company will require through the coming period which promises to be extremely busy as the exploration programme swings into top gear.

Outlook

The accession of Bulgaria and Romania to the European Union has vindicated Michael Seymour's vision in selecting this region for Aurelian's area of focus. The structure of state control over prices and competitors is gradually being dismantled in favour of the freer type of business environment to which we have become accustomed in Western Europe and we have a head-start over the numerous companies that are beginning to show interest in the search for hydrocarbons within this area.

We anticipate the stock market becoming more risk-averse during 2007, giving restricted value to exploration assets and providing only limited funding for further exploration. We believe this will create opportunities for the better funded companies such as Aurelian to acquire assets at attractive prices.

It is the Board's present intention to develop Aurelian into a significant oil and gas producer by the end of the decade, growing both through exploration success, and by acquisition of assets within our geographical area of focus, thereby achieving material growth in underlying values.

A.J. Lippitt C.B.
Non-executive Chairman
10 April 2007

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Creating shareholder value – Aurelian is in excellent shape – the capital we have raised has enabled us to put into effect an ambitious exploration programme planned to carry us through to 2009. The team is now fully up to strength for the present level of operations and rigs have been contracted for all our 2007 drilling programme. Value will be created through successful exploration over our wide ranging portfolio of assets. Our future development is not dependent on any one well – if we experience failures on some wells, as no doubt we will, it will not break the Company nor stop the programme.

Exploration – our assets are located in the general region surrounding the Carpathian Mountains, a historically proven oil rich province which has been producing hydrocarbons for more than 150 years. Much of the past and present production in the region has been achieved from discoveries made without the benefits of modern technology. It has only been in the last decade that modern exploration practices and equipment have been introduced and there is still great potential for further discoveries to be made at unexplored depths.

OUR VISION

MANAGING DIRECTOR'S REPORT

Michael Denys Seymour
Executive Managing Director

THE YEAR 2007 PROMISES TO BE A VERY ACTIVE ONE. IT IS CLEAR THAT THE DRILLING OF UP TO EIGHT WELLS IN THE NEXT TWELVE MONTHS WILL PROVIDE A BUSY TIME FOR OUR STAFF AND AN EXTREMELY EXCITING AND, WE HOPE, REWARDING ONE FOR OUR SHAREHOLDERS.

Area of focus and objective
Aurelian started life in 2002 in Central Europe and the region remains our focus today. Many of the countries within the region are now members of the EU. Romania and Poland are two of the world's oldest oil producers, but several other countries within the region also have long oil histories and, having been under Soviet domination for much of recent times, are now developing their domestic production with the application of modern exploration, seismic and drilling technologies. Central Europe in general, and the rim of the Carpathian Mountains in particular, have potential for significant new discoveries.

We are therefore focusing on proven oil and gas basins in countries not too far from home where we feel comfortable with the local legal and fiscal regimes. With expanding economies and increasing energy requirements, local markets for indigenous oil and gas in Central Europe can be assured, especially as any local production will reduce the dependency on the almost monopolistic source of supplies from Gazprom and areas east. Central Europe has the potential for substantial new reserves which should be very profitable because of the strong local hunger for energy.

Development of the asset portfolio
During 2006 and since the year-end, we have expanded our portfolio. In Romania, we have farmed in as operator to the Suceava Block next to Brodina. Our 50% is being earned from Regal Petroleum by our paying for seismic and a shallow well. The seismic is completed and the interpretation is identifying leads, one of which (Dornesti) we expect to drill in the second quarter of 2007. In January 2007, we bought our partner, Millennium International Resources and added 5% to our interest in the Brodina, Cuejdiu and Bacau concessions. The deal also increases our interest in the Bilca gas fields by 5% to 33.75%.

We have been active too in the heart of the Carpathians on both sides of the Slovak/Polish border. We were awarded three large licences on the Slovakian side and are acquiring and reprocessing existing data. We should be ready to acquire seismic in early 2008. Over the border in Poland heads of agreement have been signed with Eurogas for us to acquire a 25% interest in the Bieszczady Blocks. Aurelian will pay Eurogas' 25% share of the first €10 million of the work programme which should include 500 kms of new 2D seismic and at least one well.

We are continuing to seek out opportunities to expand our portfolio of assets within Central Europe.

All this has been happening while we have been developing our Bilca gas reserves. I am delighted that we have been able to bring these discoveries on line in good time.

Poland – Poznan East – The Zechstein/Rotliegendes fairway stretches from the UK sector of the North Sea, through the Dutch sector, Germany and into Poland. It is one of the world's most prolific gas reservoirs, containing the giant Groningen gas field in Holland and the Hewitt, Leman and Sole fields in the UK sector of the Southern North Sea. The Polish part of the basin is still relatively undeveloped.

The Poznan East blocks are dominated by the Siekierki structure, which is a Rotliegendes play. The block was tested in the 1970's by Polish Oil & Gas with four wells, all of which encountered gas, but were not able to be tested at the time at commercial volumes. The current well, called Trzek-1, is appraising the structure using standard drilling and other techniques such as are applied today in evaluating the Rotliegendes in the North Sea. The target depth is below 3,000 metres.

Bieszczady – The Polish Carpathians lie in the middle of the productive trend which follows the rim of the mountain belt from Austria in the west, through the Czech and Slovak Republics, Poland and then into the Ukraine and Romania. The Bieszczady blocks therefore complement Aurelian's existing concessions along the trend of the old Carpathian oil fields which have been producing since the 1850's. The 2.4 tcf Przemysl gas field lies immediately to the northeast. There are several mainly very shallow small fields within the blocks, although these are not part of our concessions. Only six modern seismic lines exist which demonstrate the presence of much deeper structures, potentially capable of significant reserves. New 2D seismic will define these structures for drilling.

Slovakia – Aurelian currently holds a 100% interest in the three licences which are located in the Carpathian mountain belt and are contiguous to the Bieszczady blocks. The licences cover an area of approximately 2,480 square kilometres. Wells drilled in the late 1970's encountered good shows of oil and gas, but there has been little activity since. Aurelian is currently reprocessing the old data and will acquire new seismic. We may seek a partner to share the exploration risk.

Romania – The country has historically been a prolific producer of hydrocarbons and, at the start of the last century, it was the second largest producer in the world. Today however Romania still has to import 30% of its gas needs, a proportion which is reducing as more domestic production is brought on stream.

Concession EIII-1 Brodina (Aurelian 33.75%*) – The first three wells were brought into production in October 2006. Other seismic amplitude anomalies on the block point to further exploration upside. The Radauti East exploration well is about to be drilled and Arbore should follow. Seismic will be acquired in 2007 over the Voitinel structure which could be drilled in late 2007 or early 2008.

Concession EIII-3 Cuejdiu (Aurelian 33.75%*) and Concession EIII-4 Bacau (Aurelian 52.5%*) – There are multiple prospects with gas potential in these blocks. The first wells on each block (Boistea-1 in Cuejdiu and

Schineni-1 in Bacau) will be drilled in the third quarter of 2007.

Concession EIV-1 Suceava (Aurelian 50.0%) – Aurelian acquired 160 km of 2D seismic in 2006 and now plans to drill Dornesti at the end of the second quarter. Further seismic may also be acquired.

* % share post acquisition of Millennium International Resources.

Bulgaria – Aurelian's licences, B-Golitza and B1-Golitza, cover 3,965 sq kms. The main part of B-Golitza has potential in deep relatively untested Mesozoic structures, one of which (Golitza-1) is about to be drilled. B1-Golitza contains relatively lower risk shallow gas prospects along the Black Sea coastal margin to the east of which gas is currently being produced from the Galata field. Aurelian's participating interest in these two licences is 50%, with JKX Bulgaria Limited as operator holding the balance.

Summary

Five or six exploration wells in Romania starting in April, the deep well being drilled in Poland and the Golitza-1 well in Bulgaria spudding in April will provide a busy year for our staff and an extremely exciting and, we hope, rewarding one for our shareholders.

Finally, I would like to record my thanks to John Lippitt who has been our Chairman since the Company's inception nearly five years ago, but is now stepping back to make way for David Prior. John has been a tower of support to all of us through the more difficult times as well as the good ones and it is reassuring that he will remain on the Board to provide us with the benefit of his good judgment and humour.

Michael Seymour
Executive Managing Director
10 April 2007

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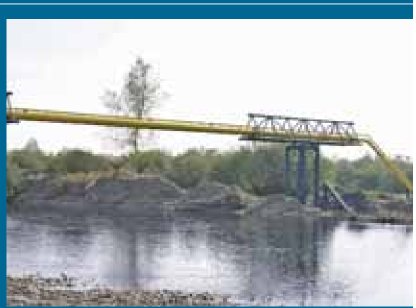
Why Central Europe? – This is one of the oldest oil and gas provinces in the world which is now re-emerging. Aurelian has a mix of low risk 'proven plays' plus higher risk 'company-making' projects. Energy demand (especially for gas) is increasing in the region and transportation distances to industrial, commercial and residential markets are reassuringly small. Competition within the industry is currently still modest and commodity prices are being increased due to EU regulation to match western market prices. Membership of the EU brings the benefits of lowering the country and economic risk, especially with regard to title and access to markets.



GEOGRAPHICAL FOCUS

3

WELL BALANCED PORTFOLIO

Aurelian focuses its activities in Central Europe from the Baltic to the Mediterranean. This region is the oldest producing oil province in the world. Oil was first mined here in the early centuries of the last millennium and was first developed commercially as early as 1853 when the first well ever was drilled in Poland. Aurelian has a well funded, aggressive and ambitious exploration programme across the region calling for a high level of activity through the next three years and beyond.

Roy Hartley
Executive Operations Director

> POLAND

- **Poznan East (90%)**
  Trzek-1 well spudded in March with a target depth below 3,000 metres.

- **Bieszczady (25%)**
  The existing seismic demonstrates the presence of much deeper structures, potentially capable of significant reserves. New seismic will be needed to define these structures for drilling.

> SLOVAKIA

- **Medzilaborce (100%)**
- **Snina (100%)**
- **Svidnik (100%)**
  These licences cover an area of approximately 2,480 square kilometres. Aurelian is currently reprocessing the old data and expects to acquire new seismic in 2008.

> ROMANIA

- **Brodina (33.75%)**
  The first three wells drilled in 2004 and 2005 established commercial gas with individual flow rates up to 6 MMscf/d and were brought into production in October 2006. Additional seismic will also be acquired in 2007 over the Voitinel structure which could be drilled in early 2008.

- **Cuejdiu (33.75%)**
  Boistea-1 scheduled to spud in the third quarter of 2007.

- **Bacau (52.5%)**
  Schineni-1 in Bacau scheduled for third or fourth quarter 2007.

- **Suceava (50%)**
  Aurelian acquired 160 km of 2D seismic in 2006 and now plans to drill Dornesti at the end of the second quarter as the first of several identified shallow prospects. Further seismic may also be acquired in 2007.

> BULGARIA

- **B Golitza (50%)**
  The main part of the B-Golitza Block has significant potential in deep relatively untested Mesozoic structures. First well will be spudded in April 2007.

- **B1 Golitza (50%)**
  Shallow gas prospects in B1-Golitza along the coastal margin of the Black Sea, to the west of which gas is being produced from the Galata field.

Poland
Slovakia
Romania
Bulgaria
Gas producing
Drilling
Seismic survey
Exploration

FINANCIAL REVIEW

Frank Jackson
Executive Commercial Director

YOUR BOARD CONSIDER THAT FUNDS CURRENTLY AVAILABLE TO THE COMPANY WILL BE SUFFICIENT FOR THE IMMEDIATE EXPLORATION PROGRAMME.

Funding strategy

Aurelian Oil & Gas PLC commenced activities in 2002 as an E&P business focused on Central Europe, supported by 49 shareholders. By the start of 2005, cumulative equity investment had grown to €5.6 million, with 79 shareholders. Recognising that any major fund-raising would not be completed in time for the Romanian gas development which was underway at the time, non-recourse project funding was raised in 2005 through Gemini Advisors to underwrite the development costs.These funds are being repaid from revenues arising from that project.

At the start of 2006, the outstanding convertible loan stock was converted into 830,217 ordinary shares of 25 pence. In February the Company raised €34.0 million by the issue to institutional investors of 10 million ordinary shares of 25 pence. In March the Company issued a further 3,311,990 ordinary shares of 25 pence to existing and other investors. A further 40,000 ordinary shares of 25 pence were issued in June on the exercise of options. At the 2006 AGM, the shares were split from 25 pence shares to five pence shares in order to facilitate the listing which occurred on AIM in August. Contemporaneously with the listing, a further 22,970,582 ordinary shares of 5 pence were placed mainly with institutional shareholders.

During 2006, the Company therefore issued the equivalent of 101,629,652 ordinary shares of 5 pence each, raising a total of €62.8 million net of costs, of which €55.3 million was credited to the Share premium account.

2006 financial results

Aurelian is in a stage where the main activity is exploration. Revenues were realised from gas sales in the last quarter of 2006. The Company recorded an accounting loss for the year of €2.3 million, and a net cash outflow of €1.3 million on operating activities.

Shareholders and shareholders' equity

As at the 31 December, there were 227 shareholders holding 134,226,462 ordinary shares.

There are 7,888,055 outstanding employee share options and warrants for 4,288,321 shares exercisable at 55 pence per share, in favour of advisers to the Company at the time of the listing.

Shareholder and market relations

The Company is conscious of the requirement to keep the market informed and Investor Relations are taken seriously by the Board. Working with our brokers, nominated advisers and public relations advisers, the Board strive to inform the market of current developments within the constraints of commercial prudence and market practice. Aurelian aims to make factual announcements of material events that have occurred or are expected to occur in the near future. The Directors may provide comment to explain or enlarge on the implications for the Group and its underlying value or the rationale for the action being reported.

Communications are maintained through regular announcements of material events through the normal AIM mechanisms as well as on our web site, without making unnecessary announcements for the sake of it. We also make scheduled news releases of interim and year-end results, and briefings at the AGM and the annual "corporate" day to which fund managers, investors and advisers are invited. Presentations given on this day will be made available on the web site. The Managing Director and I give regular presentations on a one to one basis to fund managers, travelling to the US twice during 2006 for this purpose. These are well received and form an important and very effective part of our market reporting strategy.

Financial instruments

The Group's financial instruments comprise cash and liquid resources and various other items, such as trade debtors and creditors, which arise directly from its operations. It is, and has been throughout the period under review, Aurelian's policy that there is no trading in financial instruments.

The main risks currently arising from the Group's financial instruments are foreign exchange risk, interest risk and liquidity risk. The Board reviews and establishes policies for managing each of these risks and monitors them on a regular basis. Gas markets in Central Europe are currently priced in local currencies which are linked in convergence arrangements to the Euro. All operational and development costs are similarly linked and therefore Aurelian is holding the bulk of its cash balances in Euros – sufficient US Dollars are retained to cover anticipated payments due on the Gemini loan.

No derivatives or hedges were entered into during the period under review.

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CORPORATE RESPONSIBILITY

Environment – The very nature of our business may have an impact on the environment. This is unavoidable. We strive in every project to minimise this impact and take remedial action where necessary so that with after care, we will eradicate or make good any adverse impact.

Health and safety – The health and safety of our employees and those people and societies impacted by our operations are paramount in the planning and execution of our operations. We insist on the use of the best practices.

Communities – Our operations, whether they be seismic acquisition, drilling field development or field studies, all can impact on the communities that live and work in the area. All our activities are closely regulated by law. But over and above these legal requirements, we seek to co-operate with the local community, looking to minimise any disruption and adequately compensate the land owner and community for any damage or inconvenience.

Current and future funding
It is the Board's current strategy to develop the Company in a way that optimises shareholder value within a reasonable time frame. The Board expects to achieve this mainly through exploration success possibly supplemented with acquisitions of hydrocarbon assets through purchases or farm-ins where these can be achieved at attractive prices and terms within the area of focus of Central Europe.

Your Board consider that funds currently available to the Company will be sufficient for the immediate exploration programme.

The Company compares the prospectivity and the likely cost of each project both with its overall exploration budget and with the projected value of the relevant project. In order to improve the chances of making discoveries with a greater number of projects and to use the available funds to best advantage, the Company will farm-out selected projects to partners who will pay an enhanced share of costs in order to earn their interests.

Authority will be sought at the 2007 AGM to allow the Board to issue up to one third of the Company's current issued share capital for consideration other than cash and to issue up to 5% of the unissued share capital for cash.

Frank Jackson
Executive Commercial Director
10 April 2007

DIRECTORS' BIOGRAPHIES

John Lippitt
Non-executive Chairman
Mr. Lippitt currently manages his own company, Malacca Straits Trading Company. After a distinguished career in the Far East and London in the civil service culminating in his appointment as a Deputy Secretary in the then Department of Industry, he joined the GEC Group where, until 1997, he was a board member responsible for promoting export sales. He has also been chairman of GEC Marine and a senior adviser to Marconi Marine and BAE Systems. He joined Aurelian on its foundation in 2002 and is chairman of the Remuneration Committee.

David Prior
Non-executive Deputy Chairman
Mr. Prior is a barrister with experience in investment banking with Lehman Brothers, Lazard Freres and Dillon Read and in the commercial sector with British Steel and a number of private industrial companies. In 1997 he became a member of Parliament and subsequently Deputy Chairman and Chief Executive of the Conservative Party. After the 2001 General Election he went into the private equity business and also became chairman of the Norfolk and Norwich University Hospital Trust. He joined Aurelian in May 2006 and serves as chairman of the Audit Committee and a member of the Remuneration Committee.

Michael Seymour
Executive Managing Director
Mr. Seymour, the founder of Aurelian, is a geologist with nearly 40 years of experience in the oil industry. He trained with large companies such as the Burmah Oil Company, Conoco-Philips, Inc. and Kerr-McGee Corporation. In 1984, he founded Teredo Oils Limited as a private company, and after a reverse takeover in 1987, he became managing director of the then listed Teredo Petroleum plc. That company was subsequently acquired by Cairn Energy plc in 1993. In 1992, he founded Medusa Oil Limited with support from a small group of oil industry veterans, and spent the next five years building up an exploration portfolio. In 1997, Medusa was acquired by Ramco and he became exploration director of Ramco. Following a change in corporate strategy at Ramco, Mr. Seymour entered into an agreement to leave Ramco and established Aurelian in 2002 to acquire their Polish, Romanian and Bulgarian assets which constitute most of the current portfolio.

Frank Jackson
Executive Commercial Director
Mr. Jackson joined Aurelian on its formation in 2002 as a Non-executive Director and assumed executive responsibilities from April 2005. He has over 30 years' experience in funding and developing projects in the natural resources sector. He has worked with Hoschilds, Rio Tinto and Anglo American Corp among others, in the mining sector in Africa. Starting in 1982, Mr. Jackson began managing and funding projects in the oil, mining and water industries in Europe and, particularly Eastern Europe, living in Poland from 1989 until 1995. He was founding chairman of the British Chamber of Commerce in Poland. Mr. Jackson was also the chairman of the Medusa Group of Companies until its sale to Ramco in 1997.

Roy Hartley
Executive Operations Director
Mr. Hartley is a chartered petroleum engineer with a career of more than 30 years in the oil industry. He worked for 13 years with Shell mainly in operations and in research and development before working as a consultant specialising in reserves evaluation, mature field development and production technology problems. He joined Aurelian from Helix-RDS where he had worked closely with us on the development of the Romanian and Polish licences. Mr. Hartley is a Fellow of the Geological Society of London and a fellow of the Energy Institute. He is a member of the Society of Petroleum Engineers and is a long standing technical editor who has three times received recognition for outstanding technical contribution and exceptional effort. He joined Aurelian as a Non-executive Director in May 2006 and became full-time Operations Director in November 2006.

Guy Elliott
Non-executive Director
Mr. Elliott is a co-founder of F3 Capital Management, LLC, an independent alternative asset management firm specialising in early stage financings in the natural resources field. Prior thereto, Mr. Elliott was president and co-founder of Croesus Capital Management, a specialist emerging markets hedge fund manager which grew over several years to about $800 million under management. He was manager of proprietary trading at HSBC New York from 1992 to 1993 and worked for EBF & Associates as a portfolio manager from 1990 to 1992. He has also worked for Merrill Lynch International in New York and Cargill in London, Geneva and Minneapolis. He currently serves as a director of Direct Petroleum, a Denver-based oil exploration company. He joined Aurelian as Non-executive Director in February 2006.

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Knowledge – Aurelian concentrates on working with local industry to access their skills and local knowledge. Alliances have now been established in Romania with a number of contractors encompassing the range of expertise required to drill and develop oil and gas fields. Such alliances allow Aurelian's innovative ideas to be realised by collaboration with an established skills base.

Experience – After an average of 15 years of experience, each member of the team has developed an in-depth understanding of the geology of the region, as well as the politics and culture of the societies and Government Ministries with whom we work. This gains us respect as a preferred investor and partner, enabling us to develop our assets to best advantage.

We employ local operatives experienced in the sector and area, and provide ongoing training to ensure that our employees remain up to date with the most recent developments in our industry.

TECHNICAL EXPERTISE

Paul Hilton
Non-executive Director
Mr. Hilton has been an investment banker for 23 years and is currently a managing director of Chiliogon Limited. Previously, he was employed by Deutsche Bank AG, where he was global head of the Relative Value Group in the equities division. Prior to this, he was an executive director at Morgan Stanley & Co., Inc where he worked from 1993 to 1997. From 1990 to 1993, he was an executive director of James Capel & Co. Inc. In the 1980's, he was an investment manager in London with Allied Dunbar group and Montagu Investment Management, which became part of Invesco. He joined Aurelian as a Non-executive Director in February 2006 and serves on the Remuneration and Audit Committees.

Malcolm Pattinson
Non-executive Director
Mr. Pattinson is a geophysicist with 40 years of experience in oil and gas exploration. He is currently a part-time consultant to companies in the industry. Until 1996, he was the UK and international exploration vice president for Ranger Oil (which subsequently became CNR). Prior to this, he was exploration vice president for Hamilton Oil (which subsequently became BHP) for fourteen years. He is a former chairman and is an honorary life member of the Petroleum Exploration Society of Great Britain. He was also awarded the medal for outstanding achievement in 1996 by the Petroleum Group of the Geological Society. He joined Aurelian in 2003 and serves on the Remuneration Committee.

DIRECTORS' REPORT ON REMUNERATION

This report has been prepared in accordance with schedule 7[A] to the Companies Act 1985. The report also meets the relevant requirements of the Financial Services Authority and describes how the Board has applied the Principles of Good Governance relating to Directors' remuneration. As required by the Companies Act 1985, a resolution to approve the report will be proposed at the Annual General Meeting of the Company at which the Financial Statements will be approved.

Unaudited information

Remuneration Committee

The Remuneration Committee (the Committee) operates under the delegated authority of the Board; the Committee's primary role is to review, agree and make recommendations to the Board on:

- the Company's executive remuneration policy;
- service contracts of the Executive Directors;
- remuneration of the Executive Directors;
- remuneration of senior staff identified by the Committee; and
- participation in, and operation of the Company's share option plans.

The Committee is chaired by John Lippitt and includes three independent Non-executive Directors (David Prior, Malcolm Pattinson and Paul Hilton).

None of the Committee has any personal financial interest (other than as a shareholder and an option holder as detailed on page 15, which given the level of holdings the Board accepts as not impairing independence), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. No Director plays a part in any discussion about his own remuneration.

Remuneration policy

The Company's overall approach to pay and benefits is to reward employees competitively taking into account Company and individual performance, market value and competitive pressures in the independent oil and gas sector. The Company does not seek to maintain any strict market position but aims to ensure that pay is set at an appropriate level.

The Board believes that the performance-related elements of remuneration should form a significant proportion of the total remuneration package of Executive Directors, should be designed to align their interests with those of shareholders and structured to give Executive Directors keen incentives to perform at the highest levels. Executive remuneration packages are prudently designed to attract, motivate and retain Directors of the high calibre needed to maintain the Group's position in the market and to reward them for enhancing value to shareholders. The performance measurement of the Executive Directors and key members of senior management and the determination of their annual remuneration package are undertaken by the Committee.

In the event of early termination, the Directors' contracts provide for compensation up to a maximum of basic salary for the notice period.

The remuneration of the Non-executive Directors is determined by the Board within limits set out in the Articles of Association.

It is the Company's policy that service contracts should be capable in normal circumstances of termination on six months' notice with the exception of the Managing Director where twelve months is considered appropriate. There are four main elements of the remuneration package for Executive Directors and senior management:

- Basic annual salary (including Directors' fees) and benefits;
- Bonuses for particular achievements;
- Share option incentives; and
- Pension arrangements.

The Directors' contracts of service that include details of remuneration will be available for inspection at the Annual General Meeting. The Directors' contracts are sterling denominated contracts and basic salaries, bonuses and other payments are paid in Sterling.

Executive Directors are entitled to accept appointments outside the Company providing that the Chairman's permission is sought and fees in excess of £20,000 from all such appointments are accounted for to the Company.

Basic salary

An Executive Director's basic salary is determined by the Committee at the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the Group as a whole and relies on up-to-date information on a comparator group of UK companies operating in the independent oil and gas sector. The individual salaries and benefits of Executive Directors are reviewed and adjusted taking into account individual performance and market factors.

In addition to basic salary, the Executive Directors receive the benefit of private medical insurance.

Details of the Executive Directors' basic salary and benefits in 2006 are shown on page 14.

There is one senior manager with a basic salary of £110,000.

Following the most recent review, the basic salaries of the Executive Directors with effect from 1 January 2007 are:

	2007	2006
Managing Director	£157,500	£150,000
Commercial Director	£131,250	£125,000
Operations Director	£128,000	£120,000*

* at date of appointment.

Bonus payments

Performance related bonuses may be awarded on the achievement of performance conditions determined by the Committee, which are relevant, stretching and designed to enhance the business. In 2006, bonuses of £30,000 each were awarded to Mr. Seymour and Mr. Jackson in recognition of their part in the share placings and in achieving the AIM listing for the Company.

Share Option Scheme

The Board believes that the attraction, motivation and retention of senior executives and employees is central to the Company's success and that the ability to grant share options to key personnel is an important and effective means of achieving this objective.

The Unapproved Share Option Scheme which was introduced in 2002 mostly reflects the best practice aspects recommended by the Association of British Insurers (the ABI Guidelines).

At the time the Unapproved Option Scheme was developed, a variety of alternative measurements to link remuneration to performance and align the interests of participating Directors and senior management with those of shareholders was considered. Although the ABI Guidelines suggest comparison of the Company's performance against an appropriate peer group, it proved difficult to select sufficient quoted companies of similar size and profile in the independent oil and gas sector to form a meaningful peer group. Consequently, it was felt that the simple measure of an increase in Share Price was the most appropriate structure. The Rules of the Unapproved Share Option Schemes address eligibility, timing of grants and exercise of options etc, and require that the shareholders are to be consulted if any substantive amendments to the Rules are required.

The Committee has discretion as to the application of the Rules of the Unapproved Share Option Schemes, particularly in the level of awards, the pricing of the options and the setting of the level of performance conditions.

The Committee has prepared internal guidelines to enable it to administer the Unapproved Share Option Scheme. In awarding share options the Committee take into account the ABI Guidelines in terms of individual and collective limits, the need for demanding Performance Conditions etc, and other factors such as the performance of the Company and the individual in the previous twelve months, the effect of the vesting of grants awarded in previous years e.g. dilution, cost to the Company and the overall remuneration level (annual salary, bonus award and benefits) of the individual relative to the market. Prior to listing, grants were made by reference to the latest issue price of the Company's shares. A further tranche of options was granted at the listing price – subsequent options have been granted at the higher of listing price and market price. No payment is required on the grant of share options.

In the pre-listing phase of the Company's life, Non-executive Directors received no remuneration but were granted options. Exercise of the first tranche was conditional on a doubling of the value of the Company's shares.

As part of the annual remuneration review for 2007, options have been awarded with a performance condition requiring the market value of the Company's shares to be in excess of 100 pence at the time of exercise.

Current guidelines

The internal guidelines by which the Committee currently administers the share option scheme are as follows:

- Annual awards to each Executive Director will be limited to a maximum of 100% of salary calculated by reference to the face value of the shares under option at the time of grant and will continue to take into account the performance of the individual in the previous year.
- In the case of new employees, options will normally be granted over shares equal in value to their basic salary. One third of these options would vest at the end of each of their first three years of service.
- Options will be exercisable during a period beginning with the third anniversary of their grant and ending with the fifth anniversary of their grant.

The Company does not operate any long-term incentive schemes other than the share option scheme described above. No significant amendments are proposed to be made to the terms and conditions of any entitlement of a Director to share options.

Pension arrangements

The Company makes a contribution equivalent to 7.5% of basic salary to the pension scheme of the Director's choice.

Directors contracts

It is the Company's policy that Executive Directors should have contracts with an indefinite term but with two-way notice periods. Mr. Seymour's employment contract is subject to one year's notice by either party. Those of Mr. Hartley and Mr. Jackson are subject to six months notice by either party.

In the event of early termination, the Directors contracts provide for compensation up to a maximum of basic salary for the notice period.

Non-executive Directors

All of the Non-executive Directors, Mr. Lippitt, Mr. Prior, Mr. Pattinson, Mr. Hilton and Mr. Elliott have contracts dated 20 June 2006. These contracts are for an indefinite term, not a finite term as recommended by the Combined Code, subject to re-election on an as required basis. However, all of the contracts are subject to three months' notice by either party and as such, the Board continues to believe this is appropriate given the Company's size.

The Non-executive Directors contracts specify the powers and duties of the Non-executive Directors and the time commitments anticipated and remuneration arrangements. The Non-executive Directors are paid a monthly fee for carrying out their duties and responsibilities. This fee is based on a per diem rate (in Sterling) that is compared to published material concerning non-executive fees in similar size companies. It was agreed that the Chairman is expected to spend two days per month on Company business and the Non-executive Directors two days per month.

From June 2006 the monthly fee paid to each Non-executive Director was £1,667 with the Chairman receiving £1,875. From 1 January 2007 the fees have been increased to £21,000 per annum and £23,625 per annum respectively.

Audited information

	Notes	**2006 £'000***	2005 £'000*	**2006 €'000**	2005 €'000
Emoluments		**454**	149	**669**	216
Gains on exercise of share options		**50**	–	**72**	–
Pension contributions	a	**21**	–	**31**	–
		525	149	**772**	216

Remuneration

	Notes	Salary/ fees €	Bonus €	Other €	Pension €	Taxable benefits €	2006 Total €	2005 Total €	**2006 Total £***
Executive Directors									
M.D. Seymour		213,150	44,100	–	15,986	4,154	277,390	129,292	**188,701**
F.P. Jackson	b	178,238	44,100	58,800	13,368	3,075	297,581	87,000	**202,436**
R. Hartley	c	40,313	–	–	2,205	1,279	43,797	–	**29,974**
Subtotal		431,701	88,200	58,800	31,559	8,508	618,768	216,292	**421,111**
Non-executive Directors									
A.J. Lippitt		17,790	–	–	–	–	17,790	–	**12,102**
D.G.L. Prior		15,814	–	–	–	–	15,814	–	**10,758**
M.S. Donnelly (resigned 22 June 2006)	d	–	–	72,428	–	–	72,428	–	**–**
M.H. Pattinson	e	16,000	–	–	–	–	16,000	–	**10,884**
G. Elliott		15,814	–	–	–	–	15,814	–	**10,758**
F.P. Hilton		15,814	–	–	–	–	15,814	–	**10,758**
Subtotal		81,232	–	72,428	–	–	153,660	–	**55,260**
Total		512,933	88,200	131,228	31,559	8,508	772,428	216,292	**476,371**

a. there were no pension payments or taxable benefits in the period to 30 November 2005.
b. a payment of €58,800 was made to Mr. Jackson for compensation in respect of reducing the notice period in his service agreement from twelve months to six months.
c. Mr. Hartley was appointed as a Non-executive Director on 7 April 2006 and was appointed as an Executive Director on 1 November 2006. All emoluments are included in the section for Executive Directors.
d. Gains on the exercise of share options.
e. Included in salaries and fees are technical consultancy fees paid for the services of Mr. Pattinson to MHP Petroleum Limited, a company controlled by Mr. Pattinson, amounting to €8,092 (2005: nil).

* These totals are shown in Sterling for information purposes only. Sterling is the currency in which remuneration payments are made to the Directors. The average exchange rate used was £1/€1.47 (2005: £1/€1.46).

Options		31 Dec 2006	30 Nov 2005	Exercise price (pence)	Exercise date earliest	Exercise date latest
M.S. Donnelly	14 February 2003	Exercised	150,000	12.7p	15 February 2006	14 February 2008
	6 April 2004	100,000	100,000	12.7p	7 April 2007	6 April 2009
	12 July 2005	125,000	125,000	40.0p	13 July 2008	12 July 2010
	7 April 2006	200,000	–	46.0p	8 April 2009	7 April 2011
	7 April 2006	100,000	–	55.0p	8 April 2009	7 April 2011
G. Elliott	7 April 2006	200,000	–	46.0p	8 April 2009	7 April 2011
	7 April 2006	100,000	–	55.0p	8 April 2009	7 April 2011
R. Hartley	7 April 2006	260,870	–	46.0p	8 April 2009	7 April 2011
	7 April 2006	100,000	–	55.0p	8 April 2009	7 April 2011
	16 October 2006	200,000	–	55.0p	17 October 2009	16 October 2011*
F.P. Hilton	7 April 2006	200,000	–	46.0p	8 April 2009	7 April 2011
	7 April 2006	100,000	–	55.0p	8 April 2009	7 April 2011
F.P. Jackson	14 February 2003	150,000	150,000	12.7p	15 February 2006	14 February 2008
	6 April 2004	100,000	100,000	12.7p	7 April 2007	6 April 2009
	12 July 2005	125,000	125,000	40.0p	13 July 2008	12 July 2010
	7 April 2006	200,000	–	46.0p	8 April 2009	7 April 2011
	7 April 2006	200,000	–	55.0p	8 April 2009	7 April 2011
	16 October 2006	150,000	–	55.0p	17 October 2009	16 October 2011*
A.J. Lippitt	14 February 2003	150,000	150,000	12.7p	15 February 2006	14 February 2008
	6 April 2004	148,920	148,920	12.7p	7 April 2007	6 April 2009
	12 July 2005	125,000	125,000	40.0p	13 July 2008	12 July 2010
	7 April 2006	200,000	–	46.0p	8 April 2009	7 April 2011
	7 April 2006	100,000	–	55.0p	8 April 2009	7 April 2011
M.H. Pattinson	28 April 2003	150,000	150,000	12.7p	27 April 2006	26 April 2008
	6 April 2004	100,000	100,000	12.7p	7 April 2007	6 April 2009
	12 July 2005	125,000	125,000	40.0p	13 July 2008	12 July 2010
	7 April 2006	200,000	–	46.0p	8 April 2009	7 April 2011
	7 April 2006	100,000	–	55.0p	8 April 2009	7 April 2011
M.D. Seymour	14 February 2003	500,000	500,000	12.7p	15 February 2006	14 February 2008
	12 July 2005	125,000	125,000	40.0p	13 July 2008	12 July 2010
	7 April 2006	188,045	–	46.0p	8 April 2009	7 April 2011
	7 April 2006	211,955	–	55.0p	8 April 2009	7 April 2011
	16 October 2006	150,000	–	55.0p	17 October 2009	16 October 2011*
D.G.L. Prior	7 April 2006	100,000	–	55.0p	8 April 2009	7 April 2011

* The options granted on 16 October 2006 are only exercisable at a time when the market value of ordinary shares is 100 pence or more.

A.J. Lippitt
Chairman
Remuneration Committee
10 April 2007

DIRECTORS' REPORT

The Directors submit their report and the audited accounts for the year ended 31 December 2006.

Principal activity and business review
Aurelian Oil & Gas PLC is an oil and gas explorer focused on Central Europe. It is developing a portfolio of licenced blocks across Poland, Slovakia, Romania and Bulgaria and has a programme over the next three to five years to explore the blocks for hydrocarbon deposits. Commercial discoveries will be developed with production being sold to best benefit into both domestic and international markets.

The requirements of the enhanced business review are contained in the Chairman's Review and the Managing Director's Report. The principal risks and uncertainties relate to the success or failure of the Group's licence applications and the subsequent exploration programmes. These are the key performance indicators in measuring success or failure on a country by country basis.

Results and dividends
The Company realised a net loss in the twelve months to 31 December 2006 of €2.3 million.

During 2006 the Company's exploration, appraisal and development programmes cost €8.6 million and a net amount of €62.8 million was raised as new capital.

No dividend is recommended.

Shares in Aurelian Oil & Gas PLC
Details of movements in share capital during the year are set out in note 14 to these accounts.

Directors' interests
The Directors who served during the year together with their beneficial interests in the issued share capital of the Company were as follows:

	1 Jan 2006* Ordinary share numbers	31 Dec 2006 Ordinary share numbers	2 April 2007 Ordinary share numbers
Directors and their interests			
A.J. Lippitt	177,165	216,055	216,055
M.D. Seymour	4,390,570	4,576,290	4,576,290
D.G.L. Prior	812,595	912,595	912,595
F.P. Jackson	157,500	179,220	179,220
R. Hartley	121,950	121,950	121,950
M.H. Pattinson	150,000	188,900	188,900
F.P. Hilton	–	312,500	312,500
G. Elliott	–	625,000	625,000

* or date of appointment if later.

M.S. Donnelly retired as a Director at the end of the Annual General Meeting held on 22 June 2006.

Substantial shareholders
At 2 April 2007, the Company had received the following notifications of interests in excess of 3% of the issued ordinary share capital of the Company:

Ospraie Management LLC	16,930,670	12.60%
Millennium International Management	12,600,000	9.40%
Contessa Properties	8,829,930	6.60%
AXA Framlington	8,215,245	6.10%
Blue Ridge Limited Partnership	8,043,544	6.00%
Ospraie Special Opportunities Master Holdings Limited	6,361,730	4.74%
Lord Sainsbury of Preston Candover	6,081,930	4.53%
Blue Ridge Offshore Master Limited Partnership	4,941,893	3.70%
M.D. Seymour	4,576,290	3.40%

Corporate Governance
The Directors recognise the importance of sound corporate governance and the guidelines set out in the Combined Code of Corporate Governance. Companies on AIM are not required to comply with the Combined Code and due to its size the Company is not in full compliance, however the Company intends to comply with the Combined Code so far as is practicable and appropriate.

The Board
The Board, which is responsible to shareholders for leading, developing and protecting the interests of the Company, comprises five Non-executive Directors and three Executive Directors, the details of whom are contained on pages 10 and 11.

There is a clear division of responsibilities at the head of the Company through the separation of positions of the Non-executive Chairman, John Lippitt and Michael Seymour, the Managing Director. The Non-executive Directors are of varied backgrounds and experience and the Board looks to them to exercise independent and objective judgment.

The Board retains full and effective control over the Company. The Company holds regular Board meetings at which financial and other reports are considered and, where appropriate, voted on. In addition to these meetings, further meetings are arranged when necessary to review strategy, planning, operational and financial performance, risk and capital expenditure and human resource and environmental management. The Board is also responsible for monitoring the activities of the executive management.

The assistance of the Company Secretary is available to the Non-executive Directors who may, if needed, obtain independent professional advice, at the Company's expense, in the execution of their duties.

The Directors have established an Audit Committee and a Remuneration Committee. Corporate Governance, Nominations and Health and Safety are dealt with by the full Board at the present time.

Audit Committee

The Audit Committee currently comprises two Non-executive Directors and is chaired by David Prior, who has considerable and relevant financial experience.

The Audit Committee, which has Terms of Reference agreed by the Board and available to shareholders on request, meets at least three times a year to: review the Company's accounting policies; to monitor the integrity of the Company's Financial Statements and announcements; to review internal control and risk management systems and compliance procedures; and to make recommendations to the Board to be put to shareholders for their approval in general meeting in relation to the appointment, re-appointment and removal of the external auditor and to approve the remuneration and terms of engagement of the external auditor. During 2006 the Committee met three times with each Committee member attending all meetings. A full systems review was carried out by the auditors, shortly after the Company's shares were listed on AIM, and a detailed report was made to the Committee. Meetings are attended, by invitation, by the Managing Director and the Commercial Director.

Remuneration Committee

The Remuneration Committee, which meets at least twice a year, through its Terms of Reference assists the Board to determine the remuneration arrangements and contracts of the Executive Directors and senior employees.

The Committee is chaired by John Lippitt and also includes three Non-executive Directors, David Prior, Malcolm Pattinson and Paul Hilton.

The Managing Director attends meetings by invitation. During 2006 the Remuneration Committee met four times, with members attending all meetings.

No Director is involved in deciding his own remuneration.

The Directors' Report on Remuneration, which includes details of the Directors' interest in options together with information on service contracts, is set out on pages 12 to 15.

Directors' responsibilities

Company law requires the Directors to prepare Financial Statements for each financial year which give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year. In preparing those Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Financial Statements; and
- prepare the Financial Statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the Financial Statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Personnel

The Company employed eleven people as at 31 December. In addition to these, there are contracts with six consulting companies and individuals, to work with the Company on certain projects and or areas.

The London office houses eight employees, whilst providing a centre where consultants can meet and use the facilities. There is also an office in Bucharest where all the Romanian business is managed, including the financial records. As further major projects are developed in other countries, similar offices will be established in those countries.

Disabled employees

The Group gives full consideration to applications for employment from disabled persons where the requirements of the job can be adequately fulfilled by a handicapped or disabled person.

Where existing employees become disabled, it is in the Group's policy wherever practicable to provide continuing employment under normal terms and conditions and to provide training and career development and promotion to disabled employees wherever appropriate.

Data and communications management

The Company has a diverse asset portfolio spread across Central Europe. The core data of the Company is its major asset and its development, management and safe keeping is a management priority. Virtual Private Networks (VPNs) have been established between all remote locations, with automatic and real time back ups based in London office with off site backup in independent facilities. This enables access from any authorised computer within the Group through high level firewalls at any time.

All financial and commercial data resides in a common database. All technical data is in the process of being digitised and will by the end of 2007 be fully captured and managed through a common database.

Well drilling operations are established with on site IT communications, through secure web sites, so that management, advisers and consultants can monitor progress without having to travel to site.

The Company has invested in state of the art technical data processing programmes and hardware, enabling high level analysis of field data for use in the planning of future operations.

Environment, Health and Safety Policy

The Company is committed to achieving excellent health and safety standards, to reduce accidents and ill health within the workplace and to minimise the impact of its operations on the environment. It insists that all contractors should maintain the same high standards. As a result there were no lost time accidents in the past year and the Bilca Gas Plant was developed with minimum impact on the environment.

Parts of the Carpathians are national parks or areas of environmental interest. The Company is sensitive to working in such areas and liaises closely with government departments, partners and other interest groups to comply with local laws and regulations and to minimise any disruption to the environment.

Where the Company is non operator, it will work with the operator through the auspices of the Joint Operating Agreement to ensure the operating practices comply with the Company's policies and standards.

Auditors

A resolution to re-appoint Haslers and to authorise the Directors to fix their remuneration will be proposed at the Annual General Meeting in accordance with Section 385 of the Companies Act 1985.

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting

The Annual General Meeting of the Company will be held in the offices of College Hill, 4th floor, 78 Cannon Street, London, EC4N 6HH on Wednesday, 16 May 2007 at 11:30 a.m. The formal notice is on page 38.

The ordinary business to be dealt with includes the adoption of the accounts, audit and financial reports; re-election of Guy Elliot, Roy Hartley and Paul Hilton who retire and offer themselves for re-election and the appointment of the auditors for the ensuing year.

A special resolution was passed at the 2006 AGM authorising the Directors to issue shares without the specific approval of shareholders in certain circumstances. Resolution 7 seeks to renew this authority.

Exploration and production interests

In the opinion of the Directors, the Group's exploration and production interests have a value in excess of the balance sheet figure. Expenditure for the year is detailed in notes 8 and 9 to these accounts.

Financial instruments

The Group's financial management objectives, strategy and policies are discussed in the Financial Review on pages 8 and 9.

Political and charitable contributions

The Group made charitable contributions of €6,000 to local educational and community organisations in Romania. The Group did not make any political contributions.

Creditor payment policy and practice

It is the Group's policy that payments to suppliers are made in accordance with those terms and conditions agreed between the Group and its suppliers, providing that all trading terms and conditions have been complied with.

At 31 December 2006, the Group had an average of 16 days purchases owing to trade creditors.

Approved by the Board of Directors and signed on its behalf by

Raymond G. Godson

R.G. Godson
Company Secretary
10 April 2007

REPORT OF THE INDEPENDENT AUDITORS

TO THE SHAREHOLDERS OF AURELIAN OIL & GAS PLC

We have audited the Group and Parent Company Financial Statements (the Financial Statements) of Aurelian Oil & Gas PLC for the year ended 31 December 2006 which comprise the Consolidated Income Statement, Consolidated Statement of Total Recognised Gains, the Consolidated and Parent Company Balance Sheets, the Consolidated Cash Flow Statement and the related notes. These Financial Statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Report on Remuneration that is described as having been audited.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Directors and the Auditors

The Directors responsibilities for preparing the Annual Report, the Directors' Report on Remuneration and the Financial Statements in accordance with applicable United Kingdom law and International Financial Reporting Standards (IFRS) as adopted by the European Union are set out in the Statement of Directors' Responsibilities included within the Directors' Report.

Our responsibility is to audit the Financial Statements and the part of the Directors' Report on Remuneration to be audited in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the Financial Statements give a true and fair view and whether the Financial Statements and the part of the Directors' Report on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the Directors' Report is consistent with those Financial Statements. We also report to you if the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited Financial Statements. The other information comprises the Highlights, the Chairman's Review, the Managing Director's Report, the Financial Review, the unaudited part of the Directors' Report on Remuneration and the Directors' Report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the Financial Statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the Financial Statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the Financial Statements, and of whether the accounting policies are appropriate to the Group's and the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the Financial Statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the Financial Statements.

Opinion

In our opinion:

- the Group Financial Statements give a true and fair view, in accordance with IFRS as adopted by the European Union, of the state of the Group's affairs as at 31 December 2006 and of its loss for the year then ended;
- the Parent Company Financial Statements give a true and fair view, in accordance with IFRS as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the Parent Company's affairs as at 31 December 2006;
- the Financial Statements and the part of the Directors' Report on Remuneration to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the Financial Statements.

Haslers
Chartered Accountants and Registered Auditors
Old Station Road
Loughton
Essex
10 April 2007

CONSOLIDATED INCOME STATEMENT

YEAR ENDED 31 DECEMBER 2006

	Notes	Year to 31 Dec 06 €'000	Period to 31 Dec 05 €'000
Revenue		**380**	–
Cost of sales	2	**(159)**	–
Gross profit		**221**	–
Administrative expenses	2	**(2,936)**	(875)
Share-based payment costs		**(229)**	(21)
Exploration costs written off		**(406)**	(429)
Operating loss	2	**(3,350)**	(1,325)
Finance income	4	**1,365**	83
Finance expense	5	**(304)**	(137)
Loss on ordinary activities before taxation		**(2,289)**	(1,379)
Taxation on ordinary activities	6	**–**	–
Loss for the period after taxation		**(2,289)**	(1,379)
Loss attributable to minority interests		**(16)**	(2)
Loss attributable to equity shareholders	7	**(2,273)**	(1,377)
		(2,289)	(1,379)

	Notes	Year to 31 Dec 06 € cents	Period to 31 Dec 05 € cents
Loss per share – basic loss per 5p ordinary share	7	**2.14**	n/a
Loss per share – basic loss per 25p ordinary share		**n/a**	21.13

STATEMENT OF RECOGNISED GAINS AND LOSSES

YEAR ENDED 31 DECEMBER 2006

	Year to 31 Dec 06 €'000	Period to 31 Dec 05 €'000
Loss for the period	**(2,289)**	(1,379)
Foreign currency translation gain/(loss)	**868**	(6)
Total loss recognised	**(1,421)**	(1,385)
Loss attributable to minority interests	**(6)**	(2)
Loss attributable to equity shareholders	**(1,415)**	(1,383)
	(1,421)	(1,385)

BALANCE SHEET
AS AT 31 DECEMBER 2006

	Notes	**Group 31 Dec 06 €'000**	**Company 31 Dec 06 €'000**	Group 31 Dec 05 €'000	Company 31 Dec 05 €'000
Non-current assets					
Intangible	8	**9,382**	**701**	3,543	392
Tangible	9	**5,852**	**2,888**	4,011	2,728
Investments	10	**–**	**15,487**	–	5,280
		15,234	**19,076**	7,554	8,400
Current assets					
Trade and other receivables	11	**1,493**	**1,707**	1,427	1,694
Cash and cash equivalents	22	**56,495**	**53,063**	4,612	3,042
		57,988	**54,770**	6,039	4,736
Total assets		**73,222**	**73,846**	13,593	13,136
Current liabilities	12	**(1,090)**	**(728)**	(1,228)	(352)
Non-current liabilities	13	**(6,656)**	**(5,816)**	(8,439)	(8,439)
Net assets		**65,476**	**67,302**	3,926	4,345
Capital and reserves					
Called up equity share capital	14	**9,798**	**9,798**	2,328	2,328
Share premium account	15	**58,495**	**58,495**	3,233	3,233
Equity share options reserve	19	**268**	**268**	39	39
Exchange translation reserve	19	**946**	**545**	78	78
Other reserves	16	**3**	**3**	3	3
Retained earnings	17	**(4,026)**	**(1,807)**	(1,753)	(1,336)
		65,484	**67,302**	3,928	4,345
Minority interest in equity	20	**(8)**	**–**	(2)	–
Total equity attributable to the Company's equity shareholders		**65,476**	**67,302**	3,926	4,345

Signed on behalf of the Board on 10 April 2007

M.D. Seymour
Director

F.P. Jackson
Director

CONSOLIDATED CASH FLOW STATEMENT

YEAR ENDED 31 DECEMBER 2006

	Notes	**Group 31 Dec 06 €'000**	Group 31 Dec 05 €'000
Cash flows from operating activities			
Cash expended on operations	21	**(2,421)**	(809)
Finance income		**1,289**	83
Finance expense		**(146)**	(137)
Net cash used in operating activities		**(1,278)**	(863)
Cash flows from investing activities			
Purchase of tangible non-current assets	23	**(2,427)**	(1,081)
Purchase of intangible non-current assets		**(6,163)**	(548)
Net cash used in investing activities		**(8,590)**	(1,629)
Cash flows from financing activities			
Proceeds from issue of ordinary shares		**64,913**	–
Ordinary share issue costs		**(4,605)**	(9)
Issue of convertible loan stock		**–**	2,216
Long-term borrowings introduced		**791**	3,496
Net cash flows from financing activities		**61,099**	5,703
Translation difference		**652**	–
Increase in cash and cash equivalents in the period		**51,883**	3,211
Cash and cash equivalents at 1 January/1 December		**4,612**	1,401
Cash and cash equivalents at 31 December	22	**56,495**	4,612

1 Significant accounting policies

(a) Accounting convention

Aurelian prepares its accounts on a historical cost basis. The accounts represent the year to 31 December 2006 or the position as at that date. The comparative period represents the thirteen months to 31 December 2005.

(b) Accounting standards

Aurelian has prepared its accounts in accordance with applicable International Financial Reporting Standards (IFRS).

(c) Basis of consolidation

The Group accounts include the Financial Statements of Aurelian Oil & Gas PLC and it's subsidiary undertakings made up to the balance sheet date. The Income Statement and the Cash Flow Statement include the results and cash flows of subsidiary undertakings from the date of acquisition or up to the date of disposal.

(d) Joint ventures

Aurelian participates in several joint ventures which involve the joint control of assets used in the Group's oil and gas exploration and production activities. Aurelian recognises its share of the assets and liabilities of joint ventures in which the Group holds a participating interest, classified under the appropriate Balance Sheet headings.

(e) Revenue recognition

Revenue represents Aurelian's share of the sales of the oil, gas and condensate production and is measured as the fair value of the consideration received net of VAT and overriding royalties.

Sales are recognised when the significant risks and rewards of ownership have passed to the buyer which is usually when the delivery of goods takes place and title passes.

Income received as operator from joint ventures is recognised on an accruals basis in accordance with joint venture agreements and is included as a deduction from administrative expenses.

Interest income is recognised on an accruals basis and is disclosed separately on the face of the Income Statement.

(f) Oil and gas exploration assets and development/producing assets

Aurelian follows a successful efforts based accounting policy for oil and gas assets.

Costs incurred prior to obtaining the legal rights to explore an area are expensed immediately to the Income Statement.

Expenditure incurred on the acquisition of a licence interest is initially capitalised on a licence by licence basis. Costs are held undepleted within exploration assets until such time as the exploration phase on the licence area is complete or commercial reserves have been discovered.

Exploration expenditure incurred in the process of determining exploration targets is capitalised initially within intangible assets and subsequently allocated to drilling activities. Exploration drilling costs are initially capitalised on a well by well basis until the success or otherwise of the well has been established. The success or failure of each exploration effort is judged on a well by well basis. Drilling costs are written off on completion of a well unless the results indicate that hydrocarbon reserves exist and there is a reasonable prospect that these reserves are commercial.

All lease and licence acquisition costs, geological and geophysical costs and other direct costs of exploration, evaluation and development are capitalised as intangible assets or oil and gas development costs according to their nature. Intangible assets comprise costs relating to the exploration and evaluation of licences which the Directors consider to be unevaluated until reserves are appraised as commercial, at which time they are transferred to oil and gas development costs following an impairment review and depreciated accordingly.

Where results of exploration drilling indicate the presence of hydrocarbons which are ultimately considered not commercially viable, all related costs are written off to the Income Statement.

All costs incurred after the technical feasibility and commercial viability of producing hydrocarbons have been demonstrated are capitalised as oil and gas development costs on a field by field basis. Subsequent expenditure is capitalised only where it either enhances the economic benefits of the development/producing asset or replaces part of the existing development/producing asset. Any costs remaining associated with the replaced asset part are expensed.

Net proceeds from any disposal of an exploration asset are initially credited against the previously capitalised costs. Any surplus proceeds are credited to the Income Statement. Net proceeds from any disposal of development/producing assets are credited against the previously capitalised cost. A gain or loss on disposal of a development/producing asset is recognised in the Income Statement to the extent that the net proceeds exceed or are less than the appropriate portion of the net capitalised costs of the asset.

1 Significant accounting policies continued

(f) Oil and gas exploration assets and development/producing assets continued

Depletion and amortisation

Aurelian depletes separately, where applicable, any identifiable part of development/producing assets, such as fields, processing facilities and pipelines which is significant in relation to the total cost of a development/producing asset.

Aurelian depletes expenditure on oil and gas production and development on a unit of production basis, based on proved and probable reserves on a field by field basis. In certain circumstances, fields within a single development area may be combined for depletion purposes.

Impairment

Exploration assets are reviewed regularly for indications of impairment and costs are written off where circumstances indicate that the carrying value might not be recoverable. In such circumstances the exploration asset is allocated to development/producing assets within the same geographic segment and tested for impairment. Any such impairment arising is recognised in the Income Statement for the period. Where there are no development/producing assets within a geographic segment, the exploration costs are charged immediately to the Income Statement.

Impairment reviews on development/producing oil and gas assets are carried out on each cash generating unit identified in accordance with IAS 36. Aurelian's cash generating units are those assets which generate largely independent cash flows and are normally, but not always, single development areas.

At each reporting date, where there are indications of impairment, the net book value of the cash generating unit is compared with the associated expected discounted future cash flows. If the net book value is higher, then the difference is written off to the Income Statement as impairment.

Where there has been a charge for impairment in an earlier year that charge will be reversed in a later period where there has been a change in circumstances to the extent that the discounted cash flows are higher than the net book value at the time. In reversing impairment losses, the carrying amount of the asset will be increased to the lower of its original carrying value or the carrying value that would have been determined (net of depletion) had no impairment loss been recognised in prior periods.

(g) Property, plant and equipment

Tangible assets, other than development/producing assets, are measured at cost and depreciated over their expected useful economic lives as follows:

	Annual rate (%)	Depreciation method
Vehicles, fixtures and equipment	20	Straight line
Computer hardware	33	Straight line

(h) Intangible assets

Intangible assets, other than exploration assets, have finite useful lives and are measured at cost and amortised over their expected useful economic lives as follows:

	Annual rate (%)	Depreciation method
Computer software	33	Straight line

(i) Investments and loans

Shares and loans in subsidiary undertakings are shown at cost. Provisions are made for any permanent diminution in value.

(j) Pension costs

Contributions are made to the individual pension scheme of the qualifying employee's choice, and are charged to the Income Statement as they become payable.

(k) Financial instruments

Trade and other receivables

Trade receivables are recognised and carried at the original invoiced amount less any allowances for doubtful debts. Other debtors are recognised and measured at cost.

Bank deposits

Bank deposits with a maturity of over three months are held as a separate category of current asset.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and short-term deposits with a maturity of three months or less.

Trade payables and other creditors

Trade payables and other creditors are non-interest bearing and are measured at cost.

Interest bearing bank loans

Interest bearing bank loans are classified according to the length of time remaining under the relevant facility. Interest payable is accrued in the Income Statement for the period using the effective interest rate method.

Borrowing costs

Interest payable and exchange differences incurred on borrowings directly attributable to development projects are capitalised within the development/producing assets.

All other borrowing costs are recognised in the Income Statement in the period in which they are incurred.

(l) Equity

Equity instruments issued by Aurelian are recorded at the proceeds received, net of direct issue costs, allocated between share capital and share premium.

(m) Share issue expenses and Share premium account

Costs of issuing share capital are written-off against the Share premium account.

(n) Taxation

The tax expense represents the sum of current tax and deferred tax expense.

The current tax is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Income Statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the Financial Statements and the corresponding tax base used in the computation of taxable profit and is accounted for using the liability method.

Provision is made in full for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be offset. Such assets and liabilities are recognised if the temporary differences arise from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each Balance Sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered. Any such reduction will be reversed to the extent that it becomes probable that sufficient taxable profit will be available.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the periods in which the asset is realised or the liability is settled.

(o) Decommissioning

At the end of the producing life of a field, costs are incurred in removing and decommissioning production facilities. Aurelian recognises the full discounted cost of decommissioning as an asset and liability when the obligation to rectify environmental damage arises. Where material, the decommissioning asset is included within fixed assets with the cost of the related installation. The corresponding liability is included within provisions. Revisions to the estimated costs of decommissioning which alter the level of the provisions required are also reflected in adjustments to the decommissioning asset. The amortisation of the asset, calculated on a unit of production basis based on proved and probable reserves, is shown as the “decommissioning charge” in the Income Statement and the unwinding of the discount on the provision is included within “finance costs”.

1 Significant accounting policies continued

(p) Foreign currencies

The presentational currency of the Group is the Euro because the countries within which Aurelian is active are all aligned to the Euro or are expected to join the Eurozone at the earliest permissible date.

The functional currency of the Company is Sterling, the functional currencies of the subsidiaries are the local currencies of the countries in which they operate. The exchange rate used for the revaluation of the closing Balance Sheet was €1.48/£1.

In the accounts of individual Group companies, Aurelian translates foreign currency transactions into the functional currency at the rate of exchange prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currency are translated into the functional currency at the rate of exchange prevailing at the Balance Sheet date. Exchange differences arising are taken to the Income Statement except for those incurred on borrowings specifically allocable to development projects, which are capitalised as part of the cost of the asset.

Aurelian maintains the accounts of all subsidiary undertakings in their functional currency. Aurelian translates the accounts of its subsidiary companies into Euros using the closing rate of exchange for the Balance Sheet and the average rate for the Income Statement, which approximate the exchange rates at the date of the underlying transactions. Aurelian takes exchange differences arising on the translation of net assets and associated long-term borrowings of subsidiary undertakings and branches whose functional currency is non-Euro directly to reserves.

The Company has monetary balances with its subsidiaries. The settlement of these balances is neither planned nor likely to occur in the foreseeable future and this is considered to be part of the Company's net investment. Exchange differences arising on these balances are recognised in the Income Statement of the Company but on consolidation are recognised in equity. On the disposal of the net investment these exchange differences are recognised in the Income Statement.

(q) Leasing commitments

Rent payable under operating leases is expensed in the Income Statement on a straight line basis over the lease term.

(r) Share options and warrants

The Group issues share options to Directors and employees. These are measured at fair value at the date of grant. The fair value determined at the grant date of the option is expensed on a straight line basis over the vesting period based on the Group's estimate of shares that will eventually vest. The fair value is calculated using the binomial model.

The expected life of the options depends on the behaviour of the option holders, which is incorporated into the option model consistent with historic data. The fair values calculated are inherently subjective and uncertain due to the assumptions made and the limitations of the model used.

The Group has also issued warrants to professional advisers as part of the consideration for their services. These are treated in the accounts in the same way as share options.

(s) Corresponding amounts

Foreign exchange differences arising on the restatement of the opening net assets and those arising from using average rates in the Income Statement and the closing rates in the Balance Sheet were in the 2005 accounts shown under each individual component of equity to which they related. To enhance understanding these differences are now shown separately in the Exchange translation reserve as a separate component of equity and all the individual components of equity have been restated accordingly to reflect this change in presentation. This does not represent a change in accounting policy for the Group.

2. Operating loss

	31 Dec 06 €'000	31 Dec 05 €'000
The operating loss is stated after charging/(crediting) the following:		
Cost of sales		
Depletion and amortisation	**125**	–
Administrative expenses		
Fees paid to auditors (audit services for prior years)	**98**	–
Fees paid to auditors (audit services for current year)	**44**	23
Fees paid to auditors (non audit services)	**26**	–
Administration costs capitalised	**(994)**	(241)
Staff costs (see note 3 below)	**1,456**	306
Depletion and amortisation	**66**	–
Depreciation of other fixed assets	**124**	6
Foreign exchange losses	**1,069**	173

The auditors were paid a further €163,908 during the year for advice relating to the flotation of the Company in August 2006. This has been charged against the Share premium account.

3. Staff costs and Directors' emoluments

a) Staff costs

	31 Dec 06 €'000	31 Dec 05 €'000
Wages and salaries	**1,084**	258
Social security costs	**126**	27
Pension costs	**68**	–
Share based payments	**178**	21
	1,456	306

During the period, the average number of employees was:

	No.	No.
Management/operational	**12**	3

b) Directors

The Directors' emoluments are disclosed in the audited section of the Directors' Report on Remuneration on page 14.

4. Finance income

	31 Dec 06 €'000	31 Dec 05 €'000
On short-term bank deposits	**1,365**	83

5. Finance expense

	31 Dec 06 €'000	31 Dec 05 €'000
On convertible loan stock	**55**	137
On Gemini loan	**227**	–
On Avobone loan	**18**	–
Finance lease charge	**2**	–
Other interest	**2**	–
	304	137

6. Taxation on ordinary activities

a) Taxes charged on production of hydrocarbons are included in cost of sales.

b) No provision for taxation has been made in the accounts as both the Company and the Group incurred losses during the year.

Due to the nature of the Group's exploration activities there is a long lead time in either developing or otherwise realising exploration assets. A deferred tax asset will only be created if there is reasonable certainty that profits will be earned in the foreseeable future.

As at the period end, the Group had an unbooked deferred tax asset stated at the corporate tax rate of 30% relating to:

	31 Dec 06 €'000	31 Dec 05 €'000
Tax losses	**1,961**	576
Other timing differences	**155**	46
	2,116	622

The benefits of tax losses not brought to account will only be obtained if:

i. assessable income is derived of a nature and of amount sufficient to enable the benefit from the deductions to be realised;
ii. conditions for deductibility imposed by the law are complied with; and
iii. no changes in tax legislation adversely affect the realisation of the benefit from the deductions.

c) The prima facie tax charge on the profit/(loss) from ordinary activities before tax reconciles to the tax charge as follows:

	31 Dec 06 €'000	31 Dec 05 €'000
Loss on ordinary activities before taxation	**(2,289)**	(1,379)
Income tax benefit calculated at 30% of the loss before taxation	**(687)**	(414)
Permanent differences:		
Non-deductible expenditure	**6**	1
Employee share options issued	**69**	2
Other permanent differences	**20**	(2)
Timing differences:		
Deferred tax asset not brought to account	**592**	413
Income tax expense attributable to loss from ordinary activities before taxation	**–**	–

7. Earnings per share

	31 Dec 06 €'000	31 Dec 05 €'000
Earnings for the purposes of basic earnings per share (loss for the period attributable to equity holders)	**(2,273)**	(1,377)

	No.	No.
Basic weighted average number of shares	**106,111,525**	6,519,362

	Cents	Cents
Loss per 5p share in Euro cents	**2.14**	n/a
Loss per 25p share in Euro cents	**n/a**	21.13

Exercise of the share options and warrants (see note 24) would lead to dilution of future earnings per share.

8. Intangible non-current assets

	31 Dec 06 Group €'000	31 Dec 06 Company €'000	31 Dec 05 Group €'000	31 Dec 05 Company €'000
Oil and gas costs pending determination				
At cost:				
At beginning of period	**3,528**	**392**	3,540	102
Translation difference	**130**	**9**	100	1
Written off on change of accounting policy	**–**	**–**	(248)	–
Transferred to development costs	**–**	**–**	(213)	–
Additions during period	**6,076**	**427**	530	470
	9,734	**828**	3,709	573
Written off in the period	**(406)**	**(194)**	(181)	(181)
Translation differences	**(7)**	**(3)**	–	–
At end of the period	**9,321**	**631**	3,528	392
Amortisation:				
Charge for the period	**(23)**	**–**	–	–
Net book value				
At end of period	**9,298**	**631**	3,528	392
At beginning of period	**3,528**	**392**	3,540	102
Other intangible assets				
At cost:				
At beginning of period	**18**	**–**	–	–
Translation difference	**1**	**–**	–	–
Additions during period	**87**	**81**	18	–
At end of period	**106**	**81**	18	–
Amortisation:				
At beginning of period	**(3)**	**–**	–	–
Charge for period	**(19)**	**(11)**	(3)	–
At end of period	**(22)**	**(11)**	(3)	–
Net book value				
At end of period	**84**	**70**	15	–
At beginning of period	**15**	**–**	–	–
Total intangible assets				
Net book value				
At end of period	**9,382**	**701**	3,543	392
At beginning of period	**3,543**	**392**	3,540	102

9. Tangible non-current assets

	31 Dec 06 Group €'000	31 Dec 06 Company €'000	31 Dec 05 Group €'000	31 Dec 05 Company €'000
Oil and gas development costs				
At cost:				
At beginning of period	1,260	–	–	–
Capitalised interest at beginning of period	2,727	2,727	–	–
Translation differences	197	79	–	–
Transferred from exploration	–	–	213	–
Additions during period	1,630	–	1,047	–
Movement in capitalised interest	(558)	(558)	2,727	2,727
At end of period	5,256	2,248	3,987	2,727
Depletion and amortisation				
Charge for the period	(167)	–	–	–
Net book value				
At end of period	5,089	2,248	3,987	2,727
At beginning of period	3,987	2,727	–	–
Other tangible assets				
At cost:				
At beginning of period	44	17	17	15
Translation difference	3	–	–	–
Additions	842	731	27	2
At end of period	889	748	44	17
Depreciation:				
At beginning of period	(20)	(16)	(16)	(15)
Translation difference	(1)	–	–	–
Charge for period	(105)	(92)	(4)	(1)
At end of period	(126)	(108)	(20)	(16)
Net book value				
At end of period	763	640	24	1
At beginning of period	24	1	1	–
Total tangible assets				
Net book value				
At end of period	5,852	2,888	4,011	2,728
At beginning of period	4,011	2,728	1	–

10. Investments

Company	Shares in Group companies €'000	Loans to Group companies €'000	Total €'000
At cost:			
At beginning of period	**27**	5,253	5,280
Translation difference	**–**	108	108
Additions	**23**	10,098	10,121
Disposals	**(22)**	–	(22)
At end of period	**28**	15,459	15,487

The Company's subsidiaries are as follows:

	County of incorporation	Area of operation	%
AOG Finance Limited	United Kingdom	United Kingdom	100.00
Balkan Explorers (Bulgaria) Limited	United Kingdom	Bulgaria	100.00
Balkan Explorers (Bulgaria) Limited	Ireland	Bulgaria	100.00
Energia Zachod Sp. z o.o.	Poland	Poland	90.00
Aurelian Oil & Gas Sp. z o.o.	Poland	Poland	100.00
Annalee Sp. z o.o.	Poland	Poland	100.00
Falcon Oil & Gas BV – dormant	Netherlands	Netherlands	100.00
Aurelian Oil & Gas (Romania) S.R.L.	Romania	Romania	100.00
Aurelian Oil & Gas Slovakia S.R.O.	Slovakia	Slovakia	100.00
Radusa S.R.O.	Slovakia	Slovakia	100.00
Magura S.R.O.	Slovakia	Slovakia	100.00
Dukla S.R.O.	Slovakia	Slovakia	100.00

All subsidiaries are engaged in the business of oil and gas exploration except AOG Finance Limited, which acts as nominee for and provider of finance to other Group companies.

11. Trade and other receivables

	Group 31 Dec 06 €'000	Company 31 Dec 06 €'000	Group 31 Dec 05 €'000	Company 31 Dec 05 €'000
Trade debtors	**122**	**13**	–	–
Value added tax recoverable	**882**	**98**	249	34
Amounts due from joint venture partners	**120**	**1,292**	992	1,580
Prepayments	**185**	**121**	22	–
Other debtors	**184**	**183**	164	80
	1,493	**1,707**	1,427	1,694

12. Current liabilities

	Group 31 Dec 06 €'000	Company 31 Dec 06 €'000	Group 31 Dec 05 €'000	Company 31 Dec 05 €'000
Trade payables	**681**	**476**	269	187
Social security and other taxes payable	**41**	**41**	11	11
Amounts due to joint venture partners	**69**	**–**	–	–
Other creditors	**–**	**–**	764	–
Obligations under finance leases	**22**	**–**	–	–
Accruals and deferred income	**277**	**211**	184	154
	1,090	**728**	1,228	352

13. Non-current liabilities

	Group 31 Dec 06 €'000	Company 31 Dec 06 €'000	Group 31 Dec 05 €'000	Company 31 Dec 05 €'000
Convertible loan stock	**–**	**–**	2,216	2,216
Other loans – Gemini Oil & Gas Limited	**5,816**	**5,816**	6,223	6,223
Other loans – Avobone N.V.	**810**	**–**	–	–
Obligations under finance leases	**30**	**–**	–	–
	6,656	**5,816**	8,439	8,439

In January 2006, the convertible loan stock and accrued interest were converted into ordinary shares at a price of £2.00 each as disclosed in note 14 below.

The Gemini loan continues to be shown at the full potential liability of USD10 million, discounted to current values, consistent with its treatment in the preceding accounting period. The Directors continue to consider that the value of production from these fields should enable the advance and the premium to be paid in full. The deferred interest payable is shown as Oil and Gas Development Costs within tangible fixed assets. The asset and the loan are reassessed annually. The charge for interest due during the year ended 31 December 2006 is included in the Income Statement and disclosed within note 5 above.

A loan of €791,000 was advanced in January 2006 to Energia Zachod Sp. z o.o. by Avobone NV, its 10% minority shareholder. The loan is repayable by 2 April 2009. If repayment is not made by this date, the loan agreement is automatically extended. Interest is payable quarterly at the rate of 3% per annum and is included in the finance charge in note 5 above.

14. Equity share capital

	31 Dec 2006 No.	31 Dec 2006 £'000	31 Dec 2005 No.	31 Dec 2005 £'000
Authorised				
Ordinary shares of 25 pence each	**–**	**–**	8,000,000	£2,000
Ordinary shares of 5 pence each	**600,000,000**	**£30,000**	–	–

At an Extraordinary General Meeting of the Company held on 27 January 2006 it was resolved that the authorised share capital of the Company be increased to £5,000,000 divided into 20,000,000 ordinary shares of 25p each.

At an Extraordinary General Meeting of the Company held on 24 February 2006 it was resolved that the authorised share capital of the Company be increased to £30,000,000 divided into 120,000,000 ordinary shares of 25p each.

At the Annual General Meeting of the Company held on 20 June 2006 it was resolved that the authorised share capital of the Company be subdivided into 600,000,000 Ordinary shares of 5p each.

	No.	£'000	No.	£'000
Allotted, issued and fully paid				
Ordinary shares of 25 pence each				
At beginning of period	**6,519,362**	**2,328**	6,519,362	2,328
Conversion of convertible loan stock	**830,207**	**303**	–	–
Placed	**12,690,671**	**4,644**	–	–
Rights issue	**621,319**	**224**	–	–
Exercise of share options	**40,000**	**14**	–	–
	20,701,559	**7,513**	6,519,362	2,328
Divided into ordinary shares of 5 pence each	**103,507,795**	**7,513**	–	–
Exercise of share warrants	**7,748,085**	**573**	–	–
Initial Public Offering	**22,970,582**	**1,712**	–	–
At end of period – 5 pence shares	**134,226,462**	**9,798**	–	–
At end of period – 25 pence shares	**–**	**–**	6,519,362	2,328

14. Equity share capital continued

The following shares were allotted during the year:

a. 830,207 25 pence ordinary shares on 31 January 2006 at a price of £2.00 per share on the conversion of the unsecured loan stock.
b. 10,000,000 25 pence ordinary shares on 7 February 2006 in a placing at a price of £2.30 per share.
c. 621,319 25 pence ordinary shares on 3 March 2006 by way of rights to existing shareholders at a price of £2.30 per share.
d. 2,690,671 25 pence ordinary shares on 7 March 2006 in a placing at a price of £2.30 per share.
e. 40,000 25 pence ordinary shares on 19 June 2006 on the exercise of options at a price of £0.635 pence per share.
f. 7,748,085 5 pence ordinary shares on 1 August 2006 on the exercise of warrants at a price of $0.22 per share.
g. 22,970,582 5 pence ordinary shares on 22 August 2006 in a placing at a price of £0.55 pence per share.

On 20 June 2006, each ordinary share of 25 pence was subdivided into five shares of 5 pence.

15. Share premium account

	31 Dec 06 Group €'000	**31 Dec 06 Company €'000**	31 Dec 05 Group €'000	31 Dec 05 Company €'000
At beginning of period	**3,233**	**3,233**	3,242	3,242
Premium on shares issued during period	**59,867**	**59,867**	–	–
Costs of share issue	**(4,605)**	**(4,605)**	(9)	(9)
At end of period	**58,495**	**58,495**	3,233	3,233

16. Other reserves

	31 Dec 06 Group €'000	**31 Dec 06 Company €'000**	31 Dec 05 Group €'000	31 Dec 05 Company €'000
At beginning of period	**3**	**3**	3	3
At end of period	**3**	**3**	3	3

17. Retained earnings account

	31 Dec 06 Group €'000	**31 Dec 06 Company €'000**	31 Dec 05 Group €'000	31 Dec 05 Company €'000
At beginning of period	**(1,753)**	**(1,336)**	(376)	(406)
Loss for the period	**(2,273)**	**(471)**	(1,377)	(930)
At end of period	**(4,026)**	**(1,807)**	(1,753)	(1,336)

18. Reconciliation of movements in shareholders' funds

	31 Dec 06 Group €'000	**31 Dec 06 Company €'000**	31 Dec 05 Group €'000	31 Dec 05 Company €'000
Opening shareholders' funds	**3,928**	**4,345**	5,215	5,185
Issue of share capital including share premium	**67,337**	**67,337**	–	–
Share issue costs	**(4,605)**	**(4,605)**	(9)	(9)
Movement in equity share option reserve	**229**	**229**	21	21
Movement in Exchange translation reserve	**868**	**467**	78	78
Loss for the period	**(2,273)**	**(471)**	(1,377)	(930)
Closing shareholders' funds	**65,484**	**67,302**	3,928	4,345

19. Shareholders' funds and statement of changes in shareholders' equity

	Share capital €'000	Share premium €'000	Equity share option reserve €'000	Exchange translation reserve €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
At 1 December 2004	2,328	3,242	18	–	3	(376)	5,215
Share capital issued	–	(9)	–	–	–	–	(9)
Share based payments	–	–	21	–	–	–	21
Currency translation	–	–	–	78	–	–	78
Loss for the year	–	–	–	–	–	(1,377)	(1,377)
At 31 December 2005	2,328	3,233	39	78	3	(1,753)	3,928
Share capital issued	7,470	59,867	–	–	–	–	67,337
Share based payments	–	–	229	–	–	–	229
Share issue costs	–	(4,605)	–	–	–	–	(4,605)
Loss for the year	–	–	–	–	–	(2,273)	(2,273)
Currency translation	–	–	–	868	–	–	868
At 31 December 2006	9,849	58,495	268	946	3	(4,026)	65,484

20. Minority interest

	Group 31 Dec 06 €'000	Group 31 Dec 05 €'000
At commencement of period	**(2)**	–
Loss attributable to minority interest	**(6)**	(2)
At end of period	**(8)**	(2)

21. Cash flow from operating activities

	Group 31 Dec 06 €'000	Group 31 Dec 05 €'000
Reconciliation of operating profit to net cash flow from operating activities		
Operating loss for the period	**(3,350)**	(1,325)
Adjustments for:		
Expensing of exploration costs	**406**	429
Depreciation, depletion and amortisation	**315**	6
Exchange differences	**31**	(14)
(Increase) in trade and other receivables	**(8)**	(904)
(Decrease)/increase in trade and other payables	**(44)**	978
Share based payments	**229**	21
Cash (expended on) operations	**(2,421)**	(809)

22. Cash and cash equivalents

	Group 31 Dec 06 €'000	Group 31 Dec 05 €'000
Cash at bank	**56,495**	4,612

23. Cash flow – purchase of tangible non-current assets

During the year the Group acquired tangible non-current assets with an aggregate cost of €2,471,331 of which €44,633 was acquired through finance leases. The net book value of assets purchased under finance leases at 31 December 2006 was €82,044 (2005: €22,440).

24. Share based payments

Options

Share options are granted to Directors and staff based on performance criteria. The scheme rules are described in the Directors' Report on Remuneration.

At 31 December 2006, there were outstanding options under the Unapproved Share Option scheme exercisable during the years 2007 to 2011 to acquire 7,888,055 (2005: 2,748,920) shares of the Company at prices ranging from 12.7p to 55.0p per share (2005: 12.7p to 40p). The vesting period of the options is three years with an exercise period of two years making a five year maximum term.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year:

	2006 No.	**2006 WAEP**	2005 No.	2005 WAEP
Outstanding at 1 January	**2,948,920**	**20.8p**	2,073,920	12.7p
Granted during the year	**5,139,135**	**50.5p**	875,000	40.0p
Exercised during the year	**(200,000)**	**12.7p**	–	–
Outstanding at 31 December	**7,888,055**	**40.3p**	2,948,920	20.8p
Exercisable at 31 December	**800,000**	**12.7p**	–	–

For the share options outstanding as at 31 December 2006, the weighted average remaining contractual life is 3.64 years (2005: 3.20 years)

The weighted average fair value of options granted during the year was 50.5p (2005: 40p).

The fair value of equity-settled share options granted is estimated as at the date of grant using the binomial model, taking into account the terms and conditions on which the options are granted. The following table lists the inputs to the model used for the periods ended 31 December 2006 and 31 December 2005. The expected future volatility has been determined by reference to the historical volatility since the shares were quoted.

	2006	2005
Dividend yield (%)	**nil**	nil
Historical volatility (%)	**10**	10
Risk free interest rate (%)	**4.5**	4.0
Expected life of option (years)	**3.0**	3.0
Weighted average share price (pence)	**40.3p**	21.4p

Warrants

At 31 December 2006, there were 4,288,321 (2005: nil) outstanding warrants issued to advisers assisting with the share placings during the year exercisable during the years 2007 to 2011 to acquire 4,288,321 (2005: nil) shares of the Company at 55.0 p (2005: n/a). The exercise period of the warrants varies between three years and five years.

The following table illustrates the number and weighted average exercise price (WAEP) of, and movements in, share options during the year:

	2006 No.	**2006 WAEP**	2005 No.	2005 WAEP
Outstanding at 1 January	**–**	**n/a**	–	n/a
Granted during the year	**4,288,321**	**55.0p**	–	n/a
Outstanding at 31 December	**4,288,321**	**55.0p**	–	n/a
Exercisable at 31 December	**4,288,321**	**55.0p**	–	–

For the warrants outstanding as at 31 December 2006, the weighted average remaining contractual life is 3.58 years (2005: n/a).

The weighted average fair value of the warrants granted during the year was 8.0p (2005: n/a).

24. Share based payments continued

The fair value of equity-settled warrants granted is estimated as at the date of grant using the binomial model, taking into account the terms and conditions on which the warrants are granted. The following table lists the inputs to the model used for the year ended 31 December 2006. The expected future volatility has been determined by reference to the historical volatility:

	2006	2005
Dividend yield (%)	**nil**	nil
Historical volatility (%)	**10**	n/a
Risk free interest rate (%)	**4.5**	n/a
Expected life of option (years)	**3.0**	n/a
Weighted average share price (pence)	**55.0p**	n/a

The Group recognised €228,825 and €21,039 respectively in share based payment costs for the 2006 and 2005 financial periods.

25. Financial instruments

An outline of the financial instrument risk management objectives, policies and strategies pursued by the Group in relation to financial instruments is set out in the Financial Review on pages 8 and 9.

Group – risk profile of financial assets and liabilities

Group – year ended 31 December 2006	Within 1 year €'000	1-2 years €'000	2-3 years €'000	3-4 years €'000	4-5 years €'000	**Total €'000**
Fixed rate						
Avobone loan	–	–	(810)	–	–	**(810)**
Gemini loan	–	(1,418)	(1,489)	(2,233)	(676)	**(5,816)**
Floating rate						
Cash and cash equivalents	56,495	–	–	–	–	**56,495**
Group – year ended 31 December 2005						
Fixed rate						
Convertible loan stock	–	(2,216)	–	–	–	(2,216)
Floating rate						
Cash and cash equivalents	4,612	–	–	–	–	4,612
Gemini loan	(580)	(1,434)	(1,506)	(2,258)	(445)	(6,223)

The interest rate applied to the book value and fair value of the convertible loan stock was 10%.
The interest rate applied to the book value and fair value of the Gemini loan is 30%.
The interest rate applied to the book value and fair value of the Avobone loan is 3%.
The coupon rate on the convertible loan stock is 10%.

Set out below is a comparison by category of carrying amounts and fair values of the Group's financial instruments:

		Book value		**Fair value**
	2006 €'000	2005 €'000	**2006 €'000**	2005 €'000
Financial assets				
Cash and cash equivalents	**56,495**	4,612	**56,495**	4,612
Financial liabilities				
Convertible loan stock	**–**	(2,216)	**–**	(2,216)
Gemini loan	**(5,816)**	(6,223)	**(5,816)**	(6,223)
Avobone loan	**(810)**	–	**(653)**	–

The interest rate applied to the book value and fair value of the convertible loan stock was 10%.
The interest rate applied to the book value and fair value of the Gemini loan is 30%.
The interest rate applied to the book value and fair value of the Avobone loan is 3%.

25. Financial instruments continued
Aurelian accounts for each of the above classes of financial assets at settlement date. The fair value figure has been arrived at after applying the discounted cash flow technique. No charge or credit is included in the Income Statements in respect of any fair value adjustments.

Borrowing facilities
The Group did not have any borrowing facilities in place at the balance sheet date (2005: nil).

Hedges
The Group did not hold any hedge instruments at the balance sheet date (2005: nil).

26. Related party transactions
During the year, €207,624 (2005: €134,959) was paid to Godson & Co, a business owned by R.G. Godson, the company secretary, in respect of office accommodation and professional services provided to the Group.

During the year, €14,668 (2005: €nil) was charged by the Group to Godson & Co for office accommodation and associated costs.

27. Events after the balance sheet date
In January 2007 Aurelian Oil & Gas PLC (Aurelian) entered into an agreement with Ascent Resources plc (Ascent) for Aurelian's Romanian subsidiary to acquire the share capital of Ascent's wholly owned subsidiary, Millennium International Resources Corporation Limited (Millennium). Millennium's sole assets comprise its 5% interests in the Bilca gas fields and the Brodina, Cuejdiu and Bacau concessions in Romania, where Aurelian is already a co-venture partner and operator. The acquisition of Millennium will increase Aurelian's effective share in the Bilca fields, and the Brodina and Cuejdiu concessions to 33.75%, and in the Bacau concession to 52.5%.

The consideration is a cash payment of €2 million excluding costs.

28. Contingent liabilities
A potential liability exists in favour of Ramco Energy plc, a company from which Aurelian purchased two subsidiaries.

An advance of £3,703,897 is repayable to Ramco in certain circumstances. The repayment liability is restricted to 50% of the value of any tax losses arising in respect of expenditure incurred prior to 30 June 2002 that are subsequently used to reduce the taxable profits earned by the two subsidiaries in any period ending on or before 31 December 2010.

Interest may be payable at 5% on any overdue amounts.

29. Financial commitments
(a) Lease commitments
At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2006 €'000	2005 €'000
Due within one year	**162**	–
After one year but within two years	**162**	–
After two years but within five years	**180**	–
	504	–

Operating lease payments represent rentals payable by the Group for certain of its office premises.

(b) Future capital expenditure
The Group has authorised and committed to capital expenditure in the current year as part of the exploration and development work programme for the licences in which it participates:

	2006 €'000	2005 €'000
Authorised but not contracted	**18,200**	9,075
Contracted	**11,000**	–

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of Aurelian Oil & Gas PLC (the Company) will be held at the offices of College Hill, 4th Floor, 78 Cannon Street, London EC4N 6HH on 16 May 2007 at 11:30 a.m. for the following purposes:

Ordinary Business
To consider, and if thought fit, to pass the following resolutions, which will be proposed as ordinary resolutions:

1 to receive the report of the Directors and audited Financial Statements of the Company for the year ended 31 December 2006;
2 to approve the Directors' Report on Remuneration for the year ended 31 December 2006;
3 to re-appoint Mr. Guy Elliott, who retires by rotation, as a Director of the Company;
4 to re-appoint Mr. Roy Hartley, who retires by rotation, as a Director of the Company;
5 to re-appoint Mr. Paul Hilton who retires by rotation, as a Director of the Company;
6 to re-appoint Haslers as the Company's auditors to hold office from the conclusion of this meeting until the conclusion of the next general meeting of the Company at which audited accounts are laid and to authorise the Directors to fix their remuneration; and

Special Business
to consider and, if thought fit, pass the following resolution 7 which will be proposed as a special resolution:
7 That:

a) in substitution for all existing authorities under section 80 of the Companies Act 1985 (the Act) (without prejudice to the allotment of any relevant securities already made or to be made pursuant to such authorities), the Directors be and they are hereby generally and unconditionally authorised for the purposes of Section 80 of the Act to exercise all the power of the Company to allot relevant securities (within the meaning of that Section) up to an aggregate nominal amount of £2,237,108, representing one third in nominal value of the ordinary share capital of the Company in issue and provided that this authority shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008 (or, if sooner, 15 months from the date that this resolution is passed) save that the Directors may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities in pursuance of such offer or agreement as if this authority had not expired provided further that the said authority is in substitution for and supersedes and revokes any such earlier authority conferred on the Directors to allot relevant securities to the extent unused; and

b) the Directors be and they are hereby empowered pursuant to Section 95 of the Act to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the general authority conferred by paragraph (a) of this resolution for cash as if the provisions of Section 89(1) of the Act did not apply to any such allotment, provided that such power shall be limited to:

(i) the allotment and issue of equity securities in connection with or pursuant to an offer by way of rights to the holders of ordinary shares and other persons entitled to participate therein in proportion (as nearly as may be) to their respective holdings of ordinary shares (or, if appropriate, the number of ordinary shares which such other persons are for those purposes deemed to hold), subject only to such exclusions or other arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or legal or practical problems under the laws of any territory or the regulations or requirements of any regulatory body or any stock exchange in any territory; and

(ii) to the allotment and issue of up to 16,000,000 ordinary shares of 5p each in the Company pursuant to the terms of the Aurelian Oil & Gas Limited 2002 non-approved share option scheme for employees and Directors adopted by the Company on 2 December 2002 and including (for the avoidance of doubt) the options already granted under the said scheme; and

(iii) to the allotment and issue of up to 23,288,677 ordinary shares of 5p each in the Company other than pursuant to paragraphs (b)(i) or (b)(ii) of this resolution;

and shall expire at the conclusion of the Annual General Meeting of the Company to be held in 2008 (or, if sooner, 15 months from the date that this resolution is passed) and as renewed or extended before such expiry, but so that the Company may at any time before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement as if the power conferred hereby had not expired.

By order of the Board

Raymond G. Godson

Raymond Godson
Secretary
10 April 2007

Registered office:
6/7 Pollen Street
London W1S 1NJ

Notes:

1 A member entitled to attend and vote at the meeting convened by the notice set out above is entitled to appoint a proxy (or proxies) to attend and, on poll, to vote in his place. A proxy need not be a member of the Company.

2 To be effective, the instrument appointing a proxy and any authority under which it is executed (or a notarially certified copy of such authority) must be deposited at the Company's Registrars Computershare Investor Services plc The Pavilions, Bridgewater Road, Bristol BS 99 7NH, not less than 48 hours before the time appointed for holding the Annual General Meeting. A form of proxy is enclosed with this notice. Completion and return of the proxy does not preclude a member from subsequently attending and voting in person at the meeting.

3 In accordance with Regulation 41 of the Uncertificated Securities Regulations 2001, only those members entered on the Company's register of members not later than 48 hours before the time appointed for holding the Annual General Meeting shall be entitled to attend and vote at the meeting.

4 The register of interests of the Directors and their families in the share capital of the Company and copies of the contracts of service of the Directors with the Company or with any subsidiary undertakings will be available for inspection at the registered office of the Company during normal business hours (Saturdays, Sundays and public holidays excepted) from the date of this notice until the conclusion of the meeting.

5 For the purposes of enabling the Company to determine which persons are entitled to attend or vote at the meeting and how many votes such persons may cast, a person must be entered on the Company's register of members not less than 48 hours before the date and time fixed for the meeting in order to have the right to attend and vote at the meeting.

COMPANY INFORMATION

Directors
A.J. Lippitt C.B. (Chairman)
M.D. Seymour (Managing)
G. Elliott
R. Hartley
P. Hilton
F.P. Jackson
M.H. Pattinson
D.G.L. Prior

Secretary
R.G. Godson F.C.A.

Registered Office
6/7 Pollen Street
London W1S 1NJ

Registrars
Computershare Investor Services plc
The Pavilions
Bridgewater Road
Bristol BS99 7NH

Auditors
Haslers
Old Station Road
Loughton
Essex IG10 4PL

Solicitors
McGrigors
Johnstone House
52-54 Rose Street
Aberdeen AB10 1HA

Maxwell Winward
27 Chancery Lane
London WC2A 1PA

Bankers
HSBC Bank plc
The Cross
Gloucester

HSBC International
St Helier
Jersey

Anglo Irish Bank
10 Old Jewry
London

ABN Amro Bank
2 Expositei Boulevard
Bucharest
Romania

Raiffeisen Bank
18/20 Gogol Str
Sofia
Bulgaria

Banc Przemyslwo Handflowy PBK SA
ul Krolewska
2700-060 Warsaw
Poland

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