



AURELIAN

Aurelian Oil & Gas PLC

(“Aurelian” or “the Company”)

Interim Report 2010

Aurelian, the exploration and production company focussed on Central Europe, is pleased to issue its interim review and the unaudited results for the six months to 30 June 2010.

Operational Highlights

- Equity placing in February 2010 raises €39 million, securing the funding to target €1.2 billion of Expected Monetary Value (“EMV”) in the Aurelian Portfolio.
- €75 million Credit Facility agreed.
- First Multi-Fraced Horizontal Well (“MFHW”) at our Siekierki project in Poland, encounters an estimated 100 metre gas column in vertical section.
- Key contracts for Siekierki Project awarded, enabling construction of Gas Processing facility to commence early 2011, targeting first gas by the end of 2011.
- Prospect Inventory agreed with PGNiG for key, shared, Bieszczady Block. First well targeting prospective resources of up to 100 million bbls (gross) of oil, spudding in October 2010.
- Interpretation of existing 2D seismic data in Thrust Fold region of Slovakia and new 2D seismic data in Romanian Cujeidui Thrust Fold region highlights significant prospectively.
- Two well back to back Bulgarian exploration programme targeting prospective gas resources of 60 bcf (gross) commenced September 2010.
- In Romania, the 2 bcf gas (gross) Climauti-1 discovery is expected to increase Company production by 18% over next seven years. Encouraging preliminary results from well testing and seismic reinterpretation on Voitinel Trend increases High Case GIIP to 415 bcf (gross).
- Six seismic surveys have recently been completed, three in Romania and three in Poland. Initial interpretation of the two earliest surveys in Romania have indentified leads of 147 bcf (gross) of gas-in-place at Bacau and further potential upside in our Voitinel Trend.
- Further technical strength and depth added to the Board of Directors with appointment of new Chairman and Finance Non-executive Director.
- Significant strengthening of internal capabilities with hiring of new Exploration Director, Principal Petroleum Engineer and six further additions throughout the Company.

Financial Highlights

- Gross profit of €355,000 (H1 2009: €342,000).
- Loss before tax for six months of €2,563,000 (H1 2009: €694,000), the exclusion of foreign exchange differences would reduce the loss to €1,389,000 (H1 2009: exclusion of foreign exchange differences would increase the loss to €923,000). The increase in loss before tax is mainly due to the Company’s investment in significantly strengthening our human resource capability with eight new hires in the period.
- Cash outflow from operating activities of €1,168,000 for the six months (H1 2009: inflow of €1,883,000) is due to revenues in the period of €1,292,000 being insufficient to cover Administration expenses of €1,624,000, (reflecting the increase in personnel discussed above), a realised Exchange loss of €316,000 and an increase in working capital of €405,000.
- Cash in hand of €45.3 million as at 30 June 2010 and €36.2 million as at 24 September 2010.

Outlook

- Flow test results of first Siekierki MFHW due in December. Second MFHW to spud in January on a back to back basis with results in Q2 2011.
- Commencement of construction of Siekierki Gas Processing Plant early 2011 targeting first gas by the end of 2011.
- Q4 2010 results of two well back to back Bulgarian drilling programme targeting prospective gas resources of 60 bcf (gross) and depending upon the outcome, a third prospect could be drilled in 2011.
- Q1 2011 result of first high impact Carpathian Thrust Fold well in Bieszczady targeting a prospective oil resource of 100 million bbls (gross).
- Completion of interpretation of eight seismic surveys covering 900 km of 2D and 220 km² of 3D across licences in Poland, Slovakia and Romania.
- Further update to be provided on growth plans for Tight Gas and Thrust Fold Belt Exploration Core Areas.
- Update on strategic option review on Romanian portfolio by the end of the year.
- H2 2011 results of three further high impact Carpathian Thrust Fold wells; Bieszczady-2, Slovakia-1 and East Karpaty-1, targeting net to Aurelian, up to €619 million of EMV.

30 September 2010

Enquiries:

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CHIEF EXECUTIVE OFFICER'S STATEMENT AND REVIEW

"Unlocking Value through Technology"

Over the last six months, Aurelian has continued to execute its focussed strategy of unlocking value through the application of proven technology. After a year of fundamental transformation in 2009, the Company has now moved into the execution phase and raised €39 million of equity in February to target €1.2 billion of EMV in our portfolio. Furthermore, as announced today, the Company has agreed a Credit Facility for €75 million with Macquarie Bank Limited, subject to completion of due diligence and legal documentation. Aurelian is relentless in its pursuit of the best science and technology and its application by the best people to deliver project success. With first mover advantage in two emerging resource plays in Central Europe, Aurelian is now moving into position to deliver on its promises by finding and appraising significant hydrocarbon resources.

Core Area One - Southern Permian Basin; Rotliegendes and Zechstein plays in Central and Western Poland

Applying Horizontal Multi Fraced Wells to Tight Gas Sands;

Our Polish business and the Siekierki tight gas development remained our key focus area. Our strategy of applying 3D seismic, fracture stimulation and horizontal wells to the Rotliegendes tight gas reservoirs in Poland is being executed steadily. During the first six months of the year, we executed a drilling contract with Nafta Pila to provide the IDM 2000 (a 2008 "new build" rig), which spudded on schedule on the 30 June. The drilling is progressing well and, as announced today, we reached the Rotliegendes reservoir on time and on budget encountering an estimated 100 metre gas column with good gas readings. This is a further testament to the excellent operating team we have assembled for the project. We will now drill a horizontal section of up to 1,500 metres back towards the 91 metre gas column discovered by Trzek-1 in 2007 and perform a multiple stage frac in November this year, applying for the first time in Poland this proven technique for commercialising tight gas. Flow testing of Trzek-2 is expected to complete in December.

A significant development for the project has been the increased activity in the Polish Upstream oil and gas sector. This has led to an improvement in the availability of technology and experience in well engineering, directional drilling and fracture design and execution. Aurelian has been a real beneficiary and has been fortunate to execute contracts with Halliburton and Baker Hughes to supply these key services to the Siekierki project. The combination of such specialised contractors with the Aurelian technical team means that the best available science is being used on the project.

We have also made significant advances with the design and development of the overall Siekierki project including the Gas Processing facilities. We have awarded key contracts to the specialist international consultancy, ILF, for overall project Engineering, Procurement and Construction Management ("EPCM") and more recently to BCKK Engineering Inc, a natural gas specialist engineering company, for the Nitrogen Rejection Unit at the Gas Processing Plant. We have received the key environmental approvals and are now finalising the planning and construction permits and landowner agreements to allow commencement of construction of the Gas Processing Facility in early 2011 and the delivery of first gas by the end of 2011. Whilst construction of the Gas Processing Facility provides a means of early monetisation of production, it more importantly helps to provide the well performance information essential in the preparation of a full field development plan. We have also begun construction of the Trzek-3 well-site to allow the back to back drilling of the first two Siekierki wells once we complete the horizontal section of Trzek-2 late October/early November. Trzek-3 is expected to spud in January 2011.

In Poznan North, we have now interpreted the 2D seismic acquired in 2009 and delivered two prospects to the North of the Siekierki structure which will be added to our 2011/12 drilling program. In our Kalisz licence, which sits on a Rotliegendes trend to the south, we have just completed the acquisition of 80 km of 2D seismic and will now interpret this with a view to detailing a lead of 24 bcf (gross) of prospective gas resources on the licence.

Applying 3D Seismic to Zechstein Reefs;

In the west of Poland we continue to execute our strategy of applying modern seismic acquisition and processing techniques to Zechstein sediments. In our Cybinka and Torzym licences we have completed the acquisition of 220 km² of 3D seismic and are now interpreting this with a view to drilling oil prospects in 2011 and beyond, which could total approximately 100 million bbls (gross) of unrisksed prospective resources.

Core Area Two - Carpathian Thrust Fold Belt; Southern Poland, Slovakia and Central Romania

Applying Modern 2D Seismic in Thrust Fold Belts

In the first six months of the year we have continued to execute our strategy of applying modern 2D seismic to explore Thrust Fold areas that have historically produced significant volumes of oil and gas from shallower horizons, but where the deeper horizons have been overlooked. We have also continued to build on our strategic exploration relationship with PGNiG in the region. We have interpreted 2D seismic covering 20% of our key shared Bieszczady block and have made significant advances in preparing a prospect inventory detailing seven material prospects with up to 640 million bbls (gross) of prospective resources. A drillable oil prospect of up to 100 million bbls (gross) has been selected and is expected to spud in October. Our expectations of Bieszczady continue to improve and a second 2D survey, covering a further 20% of the block (taking block coverage to 40%), has now commenced.

In Slovakia we have been interpreting 261 km of 2D seismic acquired in 2008 and 2009 and this has highlighted gas leads totalling 750 bcf (gross) of recoverable resources, which are in addition to the 816 bcf (gross) of recoverable resources highlighted on our Smilno prospect in our 2009 Competent Persons Report. We have also recently extended our Slovakian licences for up to a further four years and commenced an additional 150 km 2D seismic survey to mature one of these leads for drilling in 2011.

In our Romanian Thrust Fold licence at Cuejdiu, a preliminary review of the 130 km of 2D seismic acquired in June and July of this year has identified prospective resources in three potential 50-100 million bbls (gross) oil leads. We are very encouraged with these early indications as Cuejdiu is on trend with, and only 50 km north of, the 750 million bbls oil field at Moinesti.

Other Assets and Operational Highlights

In Romania the Climauti-1 discovery has proven 2 bcf of gas (gross) and once on stream in Q4 2010 this is expected to increase the Company's production by 18% over the next seven years. In addition, encouraging preliminary results from well testing and reinterpretation of existing seismic on the Voitinel Trend, has increased our High Case estimated GIIP to 415 bcf (gross).

Two seismic surveys on our Bacau and Brodina licences have also recently been completed. Initial interpretation of the Bacau survey has identified leads of 147 bcf (gross) of gas-in-place and, in the Brodina survey, further potential upside has been identified in our Voitinel Trend.

In Bulgaria the operator of our partner group, JKX, has spudded the first of a two well back to back exploration programme testing up to 60 bcf (gross) of amplitude-supported gas prospects. Results of this programme will be known in late Q4 2010 and depending on its success a third, similar sized prospect may also be drilled in 2011.

Economic Review and the European Hydrocarbon Revolution

The Central European Energy Market continues to have compelling economic fundamentals. High reliance on imports results in strong local demand for indigenously produced hydrocarbons. Fiscal terms remain some of the most attractive in the world and gas prices in Poland remain robust at a Zloty equivalent of approximately US\$9.60/mscf for the high methane tariff gas that will be produced from our Siekierki project.

People

We continue to add to the technical strength and depth within the Company. At the Board level we have a new Chairman, John Conlin, who brings over 34 years experience in the oil and gas industry having spent 28 years at Shell in various senior management and operational positions and with a background in Petroleum Engineering. The arrival of John Matthews as a Non-executive Director brings further significant finance skills and experience to advise the Board and support the Executive team.

At the Executive level, Chris Brown began as Exploration Director (non-Board) and Joel Price joined as Principal Petroleum Engineer with Michael Seymour moving from Executive to Non-executive Director. We would also like to say thank-you for their years of excellent service to Miles Donnelly who retired during the period and to Malcolm Pattinson who retires today.

In addition to Chris and Joel we have added a further six staff during the period, resulting in a significantly strengthened internal capability within the Company. As such, we now have the right people in the right roles and are well placed to deliver our strategy.

Results

The Company generated a gross profit of €355,000 (H1 2009: €342,000) and operational cash outflow of €1,168,000 (H1 2009: inflow of €1,883,000). After exploration costs and administrative expenses, the loss before tax for the six months was €2,563,000 (H1 2009: €694,000). Excluding foreign exchange differences would reduce the loss before tax to €1,389,000 (H1 2009: exclusion of foreign exchange differences would increase the loss to €923,000). The increased loss before tax in the period mainly reflects the Company's investment in significantly strengthening its internal capability as eight new staff were added.

Cash outflow from operating activities of €1,168,000 for the six months (H1 2009: inflow of €1,883,000) is due to revenues in the period of €1,292,000 being insufficient to cover Administration expenses of €1,624,000, (reflecting the increase in personnel discussed above), a realised Exchange loss of €316,000 and an increase in working capital of €405,000. The difference in operating cash flow in the six months to 30 June 2010 (€1,168,000 outflow) and the six months to 30 June 2009 (€1,883,000 inflow) is largely a result of the following movements i) a €1.98 million increase in working capital between the two periods, predominantly due to a €1.3 million VAT repayment received in the six months to 30 June 2009, ii) an increase of €0.6 million in Administration expenses as a result of our increased investment in personnel and iii) a €0.3 million realised foreign exchange loss in the six months to 30 June 2010 compared to €0.1 million realised foreign exchange gain in the six months to 30 June 2009.

As at 30 June 2010 the Company had €45.3 million cash in hand and as at 24 September the cash in hand figure was €36.2 million. In addition, the Company has agreed, subject to completion of due diligence and legal documentation, a Credit Facility of €75 million with Macquarie Bank Limited. The level of the drawdown of this Credit Facility is conditional upon, amongst other things, completion of technical due diligence, satisfactory performance of the Trzek-2 MFHW and finalisation of lender's security.

Outlook

We have made significant progress so far in 2010, particularly with regard to the drilling of the vertical section of Trzek-2 at Siekierki and encountering an estimated 100 metre gas column in the reservoir. In addition, we are now funded to carry out our previously announced drilling programme with eight wells to complete in 2010 and 2011, including, in the next six months, Trzek-2 and Trzek-3 at Siekierki and Bieszczady-1 our first Carpathian high impact exploration well which spuds in October. We can also look forward to the interpretation of eight seismic surveys covering 900 km of 2D and 220 km² of 3D which will help us to further grow our prospect inventory. In addition, we expect to complete our strategic option review for our Romanian business by the end of 2010. I firmly believe that in the remainder of 2010 and 2011 we will continue to high grade the Company at both Board and Executive level and continuously improve our business processes as we grow. We will execute the strategy that we have laid out and bring in the right partners at the right time to help us. I look forward immensely to the next 15 months and to achieving a point of inflection for the Company as we start delivering results and crystallising significant value from our operations.

Rowen Bainbridge

Chief Executive Officer

Aurelian Oil & Gas PLC

Consolidated income statement

	Unaudited 6 month period to 30 June 2010 €'000	Unaudited 6 month period to 30 June 2009 €'000	Audited Year to 31 December 2009 €'000
Revenue	1,292	1,404	2,977
Write back of impairment charge	-	-	1,005
Other costs of sales	(937)	(1,062)	(1,785)
Total cost of sales	(937)	(1,062)	(780)
Gross profit	355	342	2,197
Other administrative expenses	(1,624)	(1,041)	(2,451)
Transaction related professional costs	(72)	-	659
Exchange (loss)/gain*	(316)	85	(42)
Share based payment costs	(106)	(183)	(394)
Pre-licence exploration costs	(53)	(2)	(92)
Total administrative expenses	(2,171)	(1,141)	(2,320)
Other operating income	12	9	43
Operating loss	(1,804)	(790)	(80)
Finance income*	176	186	152
Finance expense*	(935)	(90)	(495)
Loss before tax	(2,563)	(694)	(423)
Taxation	(1)	-	(6)
Loss for the period attributable to equity shareholders of the parent:	(2,564)	(694)	(429)
	Unaudited	Unaudited	Audited
	6 month period to	6 month period to	Year to
	30 June 2010	30 June 2009	31 December 2009
	€ cents	€ cents	€ cents
Basic and diluted loss per 5p ordinary share	(0.80)	(0.48)	(0.23)
	Shares	Shares	Shares
Calculated on the basis of the weighted average number of shares in issue during the period, being:	320,090,258	145,758,626	189,500,889

* See note 1

Aurelian Oil & Gas PLC

Consolidated statement of comprehensive income

	Unaudited 6 month period to 30 June 2010 €'000	Unaudited 6 month period to 30 June 2009 €'000	Audited Year to 31 December 2009 €'000
Loss after taxation	(2,564)	(694)	(429)
Other comprehensive income:			
Foreign currency exchange loss	<u>(520)</u>	<u>(2,490)</u>	<u>(524)</u>
Other comprehensive income for the period	<u>(520)</u>	<u>(2,490)</u>	<u>(524)</u>
Total comprehensive income attributable to owners of the parent	<u><u>(3,084)</u></u>	<u><u>(3,184)</u></u>	<u><u>(953)</u></u>

Aurelian Oil & Gas PLC

Consolidated statement of financial position

	Unaudited 30 June 2010 €'000	Unaudited 30 June 2009 €'000	Audited 31 December 2009 €'000
Non current assets			
Oil and gas costs pending determination	44,113	35,555	40,210
Other intangible assets	25	28	23
Property, plant and equipment	4,206	4,258	4,999
	<u>48,344</u>	<u>39,841</u>	<u>45,232</u>
Current assets			
Inventory	3	6	3
Trade and other receivables	4,839	5,691	4,650
Cash and cash equivalents	45,305	17,218	13,989
	<u>50,147</u>	<u>22,915</u>	<u>18,642</u>
Total assets	<u>98,491</u>	<u>62,756</u>	<u>63,874</u>
Current liabilities			
Trade and other payables	(4,451)	(4,829)	(3,403)
Loans and borrowings	(613)	(603)	(635)
	<u>(5,064)</u>	<u>(5,433)</u>	<u>(4,038)</u>
Non-current liabilities			
Loans and borrowings	(1,747)	(1,679)	(1,621)
Net assets	<u>91,680</u>	<u>55,645</u>	<u>58,215</u>
Capital and reserves			
Share capital	21,592	15,458	15,498
Share premium	96,205	65,768	65,856
Share options reserve	2,230	1,913	2,124
Exchange translation reserve	(9,999)	(11,445)	(9,479)
Other reserves	3	3	3
Retained deficit	(18,351)	(16,052)	(15,787)
Total shareholders equity	<u>91,680</u>	<u>55,645</u>	<u>58,215</u>

Aurelian Oil & Gas PLC

Consolidated statement of changes in shareholders' equity (Unaudited)

	Share Capital €'000	Share Premium €'000	Share Options Reserve €'000	Exchange Translation Reserve €'000	Other Reserves €'000	Retained Deficit €'000	Total Equity €'000
Balance at 31 December 2008	9,892	58,639	1,730	(8,955)	3	(15,358)	45,951
Total comprehensive income for the period	-	-	-	(2,490)	-	(694)	(3,184)
Share capital issued	5,566	7,793	-	-	-	-	13,359
Share issue costs	-	(664)	-	-	-	-	(664)
Share based payments	-	-	183	-	-	-	183
Balance at 30 June 2009	15,458	65,768	1,913	(11,445)	3	(16,052)	55,645
Total comprehensive income for the period	-	-	-	1,966	-	265	2,231
Share capital issued	40	88	-	-	-	-	128
Share based payments	-	-	211	-	-	-	211
Balance at 31 December 2009	15,498	65,856	2,124	(9,479)	3	(15,787)	58,215
Total comprehensive income for the period	-	-	-	(520)	-	(2,564)	(3,084)
Share capital issued	6,094	32,910	-	-	-	-	39,004
Share issue costs	-	(2,561)	-	-	-	-	(2,561)
Share based payments	-	-	106	-	-	-	106
Balance at 30 June 2010	21,592	96,205	2,230	(9,999)	3	(18,351)	91,680

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Consolidated statement of cash flows

	Unaudited 6 month period to 30 June 2010 €'000	Unaudited 6 month period to 30 June 2009 €'000	Audited Year to 31 December 2009 €'000
Cash flows from operating activities			
Cash (used in)/generated from operations	(1,168)	1,883	1,540
Interest paid	(90)	(69)	(487)
Tax paid	(1)	-	(6)
Net cash (used in)generated from operating activities	<u>(1,259)</u>	<u>1,814</u>	<u>1,047</u>
Cash flows from investing activities			
Purchase of property, plant and equipment	(96)	(76)	(238)
Purchase of intangible non-current assets	(3,373)	(2,677)	(8,242)
Contribution to past exploration costs	-	-	2,417
Finance income	128	47	92
Net cash used in investing activities	<u>(3,341)</u>	<u>(2,706)</u>	<u>(5,971)</u>
Cash flows from financing activities			
Proceeds from issue of ordinary shares net of issue costs	36,443	12,695	12,823
Repayment of Gemini Loan	(247)	(270)	(247)
Net cash flow from financing activities	<u>36,196</u>	<u>12,425</u>	<u>12,576</u>
Increase in cash and cash equivalents in the period	31,596	11,533	7,652
Cash and cash equivalents at start of period	13,989	6,019	6,019
Foreign exchange translation difference	(281)	(334)	318
Cash and cash equivalents at end of period	<u><u>45,304</u></u>	<u><u>17,218</u></u>	<u><u>13,989</u></u>

Notes to the consolidated statement of cash flows

	Unaudited 6 month period to 30 June 2010 €'000	Unaudited 6 month period to 30 June 2009 €'000	Audited Year to 31 December 2009 €'000
Reconciliation of loss after tax to net cash flows from operating activities			
Loss after tax for the period	(2,564)	(694)	(429)
Adjustments for:			
Finance income	(176)	(186)	(152)
Finance expense	935	90	495
Other operating income	(12)	-	(43)
Tax charge for the period	1	-	6
Share based payments	106	183	394
Expensing of exploration costs	53	2	92
Depreciation, depletion, amortisation & impairment charge	776	1,049	1,522
Impairment credit on oil & gas development costs	-	-	(1,005)
Exchange differences	118	(138)	(144)
Decrease in inventory	-	-	3
(Increase)/decrease in trade and other receivables	(141)	1,573	2,614
(Decrease)/increase in trade and other payables	(264)	4	(1,411)
Waiver of loan on settlement of exit of farm-in partner	-	-	(402)
Cash (used in)/generated from operations	<u><u>(1,168)</u></u>	<u><u>1,883</u></u>	<u><u>1,540</u></u>

Aurelian Oil & Gas PLC

Notes to the accounts

1. Accounting policies

The consolidated unaudited interim financial information set out in this report is based on the consolidated financial statements of Aurelian Oil & Gas PLC and its subsidiary companies (together referred to as the 'Group'). The accounts of the Group for the 6 months ended 30 June 2010 were approved and authorised for issue by the Board on 29 September 2010. These accounts have been prepared in accordance with the accounting policies that are expected to be applied in the Financial Statements of Aurelian Oil & Gas PLC for the year ending 31 December 2010 and are consistent with International Financial Reporting Standards adopted for use in the European Union.

With effect from 1 January 2010 the classification of the foreign exchange differences in respect of treasury deposits has changed from that used in the audited financial statements for the year ended 31 December 2009. These amounts are now included within 'Finance income and expense' where as previously they had been included with 'Administrative expenses'. There is no impact on 'Loss before tax' or 'Net assets' as a result of these changes and they do not materially affect the results of the half year to 30 June 2010 or either of the comparative periods. 'Finance income' has increased by €144,000 and €66,000 for the periods to 30 June 2009 and 31 December 2009 with a corresponding increase in 'Administrative expenses' for the respective periods.

Basis of preparation

The financial information for the six months ended 30 June 2010 and 30 June 2009 is unreviewed and unaudited and does not constitute the Group's statutory financial statements for those periods. The comparative financial information for the full year ended 31 December 2009 does not constitute statutory accounts as defined in section 435 of the Companies Act 2006, but has been derived from the statutory financial statements for that period. The statutory accounts for the year ended the 31 December 2009 have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified and did not include any references to any matters to which the auditors drew attention by way of emphasis and did not contain a statement under section 498(2)-(3) of the Companies Act 2006.

The financial statements are presented in Euros and all values are rounded to the nearest thousand Euros (€'000) except where otherwise indicated.

The financial statements have been prepared under the historical cost convention, except for financial assets, which are carried at fair value.

The Company has certain contractual agreements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Company includes its share of assets, liabilities and cash flows in joint arrangements, measured in accordance with the terms of each arrangement.

2. Loss per share

There is no difference between diluted loss per share and the basic loss per share as the Group reported a loss for the period. After adjusting for the impact of foreign exchange items the loss after tax for the period reduces from €2,564,000 to €1,390,000 (2009: loss increases from €694,000 to €923,000).

3. Going concern

The Company has sufficient cash resources for its working capital needs and its committed capital expenditure programme at least for the next 12 months. As a consequence, the Directors believe the Company is well placed to manage its business risks. The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Accordingly they continue to adopt the going concern basis in preparing the results for the six months ended 30 June 2010.

4. Interim statement

Copies of this Interim report for the six months ended 30 June 2010 will be available on the Company's website www.aurelianoil.com.