



**AURELIAN**

Aurelian Oil & Gas PLC  
Interim Report 2007

Licence	Interest	Operator
<b>Poland</b>		
Poznan East Blocks	90%	Aurelian
Bieszczady	25%	POGC
Cybinka, Kalisz and Torzym	50%	Aurelian
<b>Romania</b>		
Bilca Gas Production Unit	62.5%	Aurelian
Brodina Block EIII-1	33.75%	Aurelian
Cuejdiu Block EIII-3	45%	Aurelian
Bacau Block EIII-4	82.5%	Aurelian
Suceava Block EIV-1	50%	Aurelian
Brates Block EI-3 (East)	6.8%	Europa
	(with option to increase to 27.25%)	
<b>Bulgaria</b>		
B-Golitza & B1-Golitza	50%	JKX
<b>Slovakia</b>		
Svidnik, Medzilaborce and Snina	100%	Aurelian

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# HIGHLIGHTS

## HIGHLIGHTS

- Confirmation of a significant gas column in the Trzek-1 well on the Siekierki structural trend in Poland
- Drilling of Golitza-1 well, Bulgaria now approaching the Triassic Bunter objective zone
- Three new concession areas (Cybinka, Torzym & Kalisz) conditionally awarded in Poland as a result of a competitive licensing round
- A joint venture in southeast Poland (Bieszczady) with POGC
- Acquisition of additional percentage interests in our existing concessions in Romania
- The Boistea-1 well currently drilling ahead on the Cujeziu concession, Romania
- Geological field work completed in Slovakia

## OUTLOOK

- Test results from Trzek-1 well
- Drilling results from Golitza-1 and Boistea-1
- Further extensive drilling programme planned in Romania, including the Voitinel prospect in the first half of 2008
- Further seismic to be acquired on Polish and Slovakian concessions within the next twelve months

# CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

## Introduction

This period has been the most intense in terms of exploration activity since our foundation. We are in the middle of an eight well drilling campaign. The existence of a substantial gas column has been established in our Trzek-1 well in Poland. We have increased our interests in some of our Romanian operated joint ventures and acquired interests both there and in Poland through successful participation in licensing rounds and farm-in agreements.

## Results

The Company generated an operating surplus of € 640,000. After exploration costs and administrative expenses, the loss before tax for the six months was € 704,000.

The Company has € 37 million cash in hand as at 18 September 2007. This is sufficient to fund our exploration programme until the end of 2009 on a dry well basis.

## Operational highlights

### Poland

The Trzek-1 well was spudded in March to appraise the Permian Rotliegendes sandstone in the large Siekierki structure on which four wells were drilled by the Polish state company in the 1970s/1980s. The original wells all produced some gas, albeit at low flow rates due to the then absence of the suitable drilling and stimulation technology needed to produce the low permeability reservoir.

Trzek-1 established an 89-metre gas column within the Rotliegendes. The rig was released at the end of July and equipment is now being mobilised to frac and test the well in late October. Although the reservoir is quite tight, we are hopeful of securing good gas flows and of establishing the basis for long term production. Early discussions held to sell the gas have been

encouraging. To appraise the Siekierki structural trend further, it is likely that 3-D seismic will be acquired around the end of 2007. A rig has been contracted to drill a possible two further wells in the second half of 2008. Aurelian holds a 90% interest in the Poznan East concessions as operator.

During the year, applications were made for new blocks in the Polish Central Lowlands Zechstein/Rotliegendes Basin. Three blocks (Cybinka, Torzym & Kalisz) have been conditionally awarded to the joint venture in which Aurelian has 50% and is operator. These are highly prospective blocks and seismic work will commence in 2008.

Finally in Poland, Aurelian is now a 25% joint venture partner with the Polish state company (POGC) in the Bieszczady concessions in southeast Poland. These blocks are located close to some of the largest oil and gas fields in Poland, but until now have not been explored using seismic data. The first survey will take place late in 2007, with drilling anticipated in 2009.

### Romania

We have increased our interest in the Bilca gas production unit, where we now hold 62.5%. The fields have been producing steadily at around 3 mmscfd, with the rate in Fratauti-1 restricted due to water production. A workover is about to take place to remedy this and we may drill a new production well within the next few months. As a result of these activities, production can be expected to increase in the first half of 2008.

Two further exploration wells, Radauti East-1 and Arbore-1, were drilled unsuccessfully on the Brodina concession earlier this year. One of them will provide some payback as a means of disposal of water from Fratauti.

Earlier this year, we farmed into Europa's interest in the east part of their Brates EI-3 concession, where a well, Costisa-2, was spudded in May to appraise good gas shows which were not tested in their first Costisa well, drilled in 2005/2006.

The same sands have been intersected and again excellent gas shows were recorded while drilling. The well is currently being tested. Aurelian has an option to earn up to a 27.4% interest in this east part of the concession and, subject to consents, become the operator for any development.

The Boistea-1 well is now being drilled on the Cuejdii concession and the result should be known shortly.

Boistea-1 represents the third well of our 2007 operated Romanian exploration drilling campaign and two more wells will follow immediately. Aurelian will operate Dornesti Sud-1 on the Suceava concession, where we farmed in last year and follow it with Liliichi-1 in the Bacau concession. Our percentage interests in Cuejdii and Bacau have increased during the year to 45% and 81% respectively.

During 2007, the seismic focus has been on maturing the Voitinel prospect, a sizeable sub-thrust structure in the centre of the Brodina concession. This well, if successful, could hold substantial reserves. It is likely to be drilled in the first half of 2008.

## **Bulgaria**

Following the seismic work conducted in 2005, the Goltza-1 well spudded in April, targeting Mesozoic sands and carbonates present in a very large structure at depths around and below 4,000 metres. Currently, Goltza-1 is approaching the Triassic Bunter objective, following the drilling of which logs will be run and the results fully evaluated. Aurelian's share in the joint venture operated by JKK Oil & Gas is 50%.

## **Slovakia**

The large Svidnik, Medzilaborce and Snina concessions lie along the Slovak/Polish border, adjacent to the Polish Bieszczady concessions described above. Geological field work was conducted this spring and has confirmed the potential of the blocks. Seismic will be acquired over all three concessions in 2008.

## **Strategy**

Aurelian continues to focus exclusively on Central Europe. We remain convinced that the region, which contains many of the world's oldest oil and gas fields, is still under-explored and, given modern technology, is capable of yielding major new reserves. Now forming part of the European Union, the countries in Central Europe, where we are currently operating, are offering security of title to foreign explorers, ready access to markets together with attractive fiscal terms and momentum towards a free market for energy. It is an excellent area in which to explore.

## **Outlook**

The year 2007 is seeing the execution of a major drilling campaign covering Romania, Poland and Bulgaria: 2008 will be no less active. In addition to the programmes on our original concessions, seismic work will bring drilling activity a stage nearer on the newly acquired concessions and should create further value for the Company and its shareholders. A continued active and fully funded programme lies ahead with further additions to our licence portfolio highly probable.

The Company has carried out a very demanding exploration programme and we are very grateful for our staff's continued dedication and commitment during the period under review.



**David Prior**  
Chairman



**Michael Seymour**  
Managing Director

## CONSOLIDATED INCOME STATEMENT

	<b>Unaudited Six months to 30 June 2007</b>	Unaudited Six months to 30 June 2006	Audited Year to 31 Dec 2006
	€'000	€'000	€'000
Revenue	<b>1,409</b>	–	380
Cost of sales	<b>(769)</b>	–	(159)
Gross profit	<b>640</b>	–	221
Administrative expenses	<b>(771)</b>	(500)	(2,936)
Share based payment costs	<b>(153)</b>	(29)	(229)
Exploration costs written off	<b>(902)</b>	(112)	(406)
Other operating income	<b>15</b>	–	–
Operating loss	<b>(1,171)</b>	(641)	(3,350)
Finance income	<b>1,054</b>	429	1,365
Finance expense	<b>(501)</b>	(63)	(304)
Loss on ordinary activities before taxation	<b>(618)</b>	(275)	(2,289)
Taxation on ordinary activities	<b>(86)</b>	–	–
Loss for the period after taxation	<b>(704)</b>	(275)	(2,289)
Loss attributable to minority interests	–	(9)	(16)
Loss attributable to equity shareholders	<b>(704)</b>	(266)	(2,273)
	<b>(704)</b>	(275)	(2,289)

	<b>Unaudited Six months to 30 June 2007</b>	Unaudited Six months to 30 June 2006	Audited Year to 31 Dec 2006
	€cents	€cents	€cents
Loss per share – basic loss per 5p ordinary share	<b>0.52</b>	–	2.14
Loss per share – basic loss per 25p ordinary share	–	0.31	–

## CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

AS AT 30 JUNE 2007

	<b>Unaudited Six months to 30 June 2007</b>	Unaudited Six months to 30 June 2006	Audited Year to 31 Dec 2006
	€'000	€'000	€'000
Loss for the year/period	<b>(704)</b>	(275)	(2,289)
Foreign currency translation difference	<b>1,265</b>	(5)	868
Total profit/(loss) recognised	<b>561</b>	(280)	(1,421)
Profit/(loss) attributable to minority interests	<b>13</b>	(8)	(6)
Profit/(loss) attributable to equity shareholders	<b>548</b>	(272)	(1,415)
	<b>561</b>	(280)	(1,421)

# CONSOLIDATED BALANCE SHEET

AS AT 30 JUNE 2007

	Unaudited 30 June 2007 €'000	Unaudited 30 June 2006 €'000	Audited 31 Dec 06 €'000
<b>Non-current assets</b>			
Intangible	<b>22,184</b>	6,574	9,382
Tangible	<b>10,194</b>	5,109	5,852
	<b>32,378</b>	11,683	15,234
<b>Current assets</b>			
Trade & other receivables	<b>2,889</b>	4,454	1,493
Cash & cash equivalents	<b>43,787</b>	41,592	56,495
	<b>46,676</b>	46,046	57,988
<b>Total assets</b>	<b>79,054</b>	57,729	73,222
<b>Current liabilities</b>	<b>(6,468)</b>	(3,610)	(1,090)
<b>Non-current liabilities</b>	<b>(6,294)</b>	(6,872)	(6,656)
<b>Net assets</b>	<b>66,292</b>	47,247	65,476
<b>Capital &amp; reserves</b>			
Called up equity share capital	<b>9,833</b>	7,513	9,798
Share premium account	<b>58,549</b>	42,293	58,495
Equity share options reserve	<b>421</b>	68	268
Exchange translation reserve	<b>2,211</b>	(593)	946
Other reserves	<b>3</b>	3	3
Retained earnings	<b>(4,730)</b>	(2,025)	(4,026)
	<b>66,287</b>	47,258	65,484
Minority interest in equity	<b>5</b>	(11)	(8)
<b>Total equity attributable to the company's equity holders</b>	<b>66,292</b>	47,247	65,476

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital €'000	Share premium €'000	Equity share option reserve €'000	Exch. Translation reserve €'000	Other reserves €'000	Retained earnings €'000	Total equity €'000
At 31 December 2006	9,798	58,495	268	946	3	(4,026)	65,484
Share capital issued	35	54	–	–	–	–	89
Share based payments	–	–	153	–	–	–	153
Loss for the half year	–	–	–	–	–	(704)	(704)
Currency translation	–	–	–	1,265	–	–	1,265
<b>At 30 June 2007</b>	<b>9,833</b>	<b>58,549</b>	<b>421</b>	<b>2,211</b>	<b>3</b>	<b>(4,730)</b>	<b>66,287</b>

## CONSOLIDATED CASH FLOW STATEMENT

	Unaudited Six months to 30 June 2007 €'000	Unaudited Six months to 30 June 2006 €'000	Audited Year to 31 Dec 2006 €'000
<b>Cash flows from operating activities</b>			
Cash flow generated from/(expended on) operating activities	4,217	(1,299)	(2,421)
Finance income	1,082	429	1,289
Finance expense	(529)	(63)	(146)
Taxes paid	(86)	–	–
<b>Net cash used in operating activities</b>	<b>4,684</b>	<b>(933)</b>	<b>(1,278)</b>
<b>Cash flows from investing activities</b>			
Purchase of tangible non-current assets	(4,202)	(1,150)	(2,427)
Purchase of intangible non-current assets	(13,202)	(3,335)	(6,163)
<b>Net cash used in investing activities</b>	<b>(17,404)</b>	<b>(4,485)</b>	<b>(8,590)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issue of ordinary shares	89	44,592	64,913
Ordinary share issue costs	–	(2,985)	(4,605)
Long-term borrowings introduced	–	791	791
<b>Net cash flow from financing activities</b>	<b>89</b>	<b>42,398</b>	<b>61,099</b>
Foreign exchange translation difference	(77)	–	652
Increase in cash and cash equivalents in the period	(12,708)	36,980	51,883
<b>Cash and cash equivalents at start of period</b>	<b>56,495</b>	<b>4,612</b>	<b>4,612</b>
<b>Cash and cash equivalents at end of period</b>	<b>43,787</b>	<b>41,592</b>	<b>56,495</b>

## NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	Six months to 30 June 2007 €'000	Six months to 30 June 2006 €'000	Year to 31 Dec 2006 €'000
<b>Reconciliation of operating profit to net cash flow from operating activities</b>			
Operating loss for the period	(1,171)	(641)	(3,350)
Adjustments for:			
Expensing of exploration costs	902	112	406
Depreciation, depletion and amortisation	698	6	315
Exchange differences	(346)	(160)	31
(Increase)/decrease in trade and other receivables	(1,425)	(3,027)	(8)
Increase/(decrease) in trade and other payables	5,406	2,382	(44)
Share based payments	153	29	229
<b>Cash generated from/(expended on) operations</b>	<b>4,217</b>	<b>(1,299)</b>	<b>(2,421)</b>
<b>Cash at bank</b>	<b>43,787</b>	<b>41,592</b>	<b>56,495</b>

## NOTES TO THE ACCOUNTS

1. The unaudited results have been prepared applying accounting policies which are consistent with those adopted for the accounts for the year ended 31 December 2006.
2. The interim report for the six months to 30 June 2007 was approved by the Directors on 25 September 2007.
3. The calculation of the basic earnings per share is based on the weighted average number of shares in issue during the six month period. The diluted earnings per share have been calculated in accordance with the provisions of IAS 33 and are the same as the basic earnings per share for the period.
4. The interim results are unaudited and do not constitute statutory financial statements as defined in section 240 of the Companies Act 1985.
5. These interim financial statements are in compliance with the IAS 34.
6. Aurelian has acquired interests in a number of licences during the period covered by these financial statements. One of these involved the purchase of a company but it is considered that the substance of the transaction was an acquisition of assets and not a business combination. Accordingly, no goodwill arises, and the consideration for all acquisitions has been allocated between the individual identifiable assets and liabilities in the group based on their relative fair values at the date of the acquisition.

The aggregate amount expended on acquisitions of licence interests in the period was € 7,465 thousand.

7. As part of the consideration for the acquisitions, the Company has a contingent liability to make an additional payment of € 745 thousand in the event of aggregate gas production from the Bilca production unit reaching 9 bcf and three additional payments of € 148 thousand in the event of there being further gas discoveries on each of the Brodina, Cujeidiu and Bacau permits in Romania.
8. Copies of this interim statement are available from the Company's website at [www.aurelianoil.com](http://www.aurelianoil.com).



**Aurelian Oil & Gas PLC**  
13/14 Hanover Street  
London W1S 1YH  
Tel: +44 (0)207 629 7986  
Fax: +44 (0)207 495 5918  
[www.aurelianoil.com](http://www.aurelianoil.com)

