



AURELIAN

Aurelian Oil & Gas PLC
Interim Report 2006

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Aurelian Oil & Gas the exploration and production company focused on Central Europe, is pleased to announce its first interim results since listing on AIM on 22 August 2006.

Highlights

- The commissioning of the Bilca gas production facilities in Romania with test production on 27 September
- Introduction to AIM with a market capitalisation at issue of £74 million
- The raising during the year of £30.6 million in private placings and £12.6 million in the Initial Public Offer
- Reserves and risked prospective and contingent resources of 512 Bscf (86 MMboe)
- The execution of the gas sales contract in Romania
- Three new licenses, covering 2,480 square kilometres, awarded 100% to the company in Slovakia
- An agreement to earn a 50% interest and operatorship in Romania Suceava Block EIV-2, covering 4,103 square kilometres
- Current cash balances post IPO of £37.7 million, sufficient to carry out the Company's programme until it becomes self funding

Michael Seymour, Managing Director of Aurelian, commented:

"We are delighted to be reporting our first interim results as a quoted company which show the company in a strong cash position, able to plan and carry out an active and exciting exploration programme for the next three years.

Admission to AIM, the construction of the production facilities on our gas discoveries and the first production of gas through the facilities are achievements of which we can be proud. The recent grant of three new licenses in Slovakia and the farm-in on the Suceava block in Romania widen our portfolio in areas we know well.

We have an excellent established portfolio of assets and continue to apply for additional concessions which fit our strategy and focus. With this base, and the exceptional management team that we have in place, the company should be well-positioned to reward its shareholders over the next few years."

28 September 2006

CHAIRMAN AND MANAGING DIRECTOR'S REVIEW

Introduction

The year to date has seen the transformation of the company from a cash-constrained small exploration company, into a company with a strong balance sheet able to take advantage of the many opportunities available in our region of focus.

The company's shares were listed on AIM on 22 August, at a time when the market was weak despite oil prices in excess of US\$70 per barrel. Since then, the oil price has fallen to \$64 per barrel with sector share prices reflecting this fall.

Results

The company has cash balances of £37.7 million as at 15 September 2006 reflecting the significant cash raising that has taken place during this year. The Romanian production facilities are now being tested with commercial deliveries imminent and sales contracts in place. Further exploration acreage has been secured.

Operational Highlights

Romania – The development of our three discovery wells, Bilca-1, Bilca-2 and Fratauti-1 has progressed during the period with the commissioning of the production plant and the execution of a sales contract with the state gas company, Romgaz. Gas was produced through the facilities for the first time on 27 September and commercial deliveries are expected to start next week.

Seismic data have also been acquired over three concessions (Brodina, Cujeziu and Bacau) during the year and drillable prospects have been identified in each. In the main, the emphasis has been on the evaluation of the Sarmatian sands, productive in the Bilca wells. A drilling campaign of three to four Sarmatian wells is planned for late 2006 or early 2007.

In addition, seismic conducted in the Brodina Block has highlighted the potential of a much larger lead, Voitinell, located to the west of Bilca. Plans for drilling this well during 2007 are being discussed with joint venture partners.

On 1 September, agreement was reached with Regal Petroleum for Aurelian, through its Romanian subsidiary, to earn a 50% participation in their large Suceava Block by performing 150 kms of new seismic and drilling one well. The seismic is expected to be conducted in October, and the well could be drilled as part of the drilling campaign in early 2007.

Poland – A survey of 300 kms of new seismic was acquired over the large Siekierki structure in our Poznan East concessions during the first quarter to determine the optimum location for the first well. A drilling contract has now been signed and the well, Trzek-1, is expected to be spudded in December. The well is planned to be drilled to a depth of 4,000 metres and will take approximately three months to drill and test.

The Siekierki structure is large and has potential for a substantial gas accumulation. Four wells drilled in the 1970s effectively proved the presence of a large volume of gas in place within the structure and it is believed that the Trzek-1 well, which will be drilled up to those wells with sound modern technology, can be tested to establish commerciality.

Bulgaria – The interpretation of the 2006 B & B1-Golitza seismic data has continued throughout the year and a location is in the process of being chosen for the first exploration well on the Golitza prospect which is expected to commence drilling in March 2007. This will be a deep well of more than 4,000 metres.

As part of the deal completed with JKX Oil & Gas in 2006, JKX (currently 25%) has the right to increase its percentage interest in the two licences to 50% and take over the operatorship, subject to the approval of the Bulgarian authorities. In so doing, JKX would pay a promoted share of the Golitza well.

Slovakia – Three licences Svidnik, Medzilaborce and Snina were awarded 100% to Aurelian on 1 August. The blocks are on a highly prospective trend within the Carpathian thrust belt, Aurelian’s area of focus. Little work was done by the previous licence holders, although two wells with oil shows were drilled by the state company in the 1970s. Aurelian’s work programme over the next year is expected to involve data processing and the acquisition of some new seismic data.

Strategy

Central Europe is the oldest oil province in the world. First oil was found here in the early centuries of the last millennium and was first developed commercially as early as 1853 when a well was brought into production.

During the twentieth century, the oil assets of the region were developed from surface geology and exploited by imposed governments, and latterly, as the Soviet empire’s economy started to fail, the regional sector was deprived of access to the technology and investment that was then nascent in the Southern North Sea and Gulf of Mexico. This situation persisted until the end of the twentieth century.

Consequently, Aurelian believe there is an opportunity to identify new hydrocarbon assets at previously unexplored depths throughout the region. In working in this area, Aurelian will be using seismic, drilling and production technologies which, while standard practice for many of the world’s important producing basins today, have not yet been used in Central Europe.

The Company’s area of focus covers the whole of the area from Poland and the Baltic states, to the Mediterranean. We will continue to apply for concessions in this area. It is hoped that further awards will be announced before the end of the year.

Outlook

Aurelian has an aggressive and ambitious exploration programme for the coming year. Seismic will be acquired in all the countries where we currently operate, low risk wells will be drilled in Romania and deep wells will be drilled in Poland and Bulgaria. Production from discoveries will be developed to produce revenues in 2008 and beyond and we plan to become a leading “independent” by the end of the decade.

The combination of the skills of our management with the cash resources provided by our shareholders, will enable us to make the most of the unique opportunities that exist in this region.

We are all indebted to the company’s employees and advisers without whom the rapid developments of the last twelve months would not have been possible and with whom we expect to forge an exciting future.



A.J.Lippitt



M.D.Seymour

CONSOLIDATED INCOME STATEMENT

	<i>Unaudited</i> <i>6 mth period to</i> <i>30 Jun 2006</i> €	<i>Unaudited</i> <i>7 mth period to</i> <i>30 Jun 2005</i> €	<i>Audited</i> <i>13 mth period to</i> <i>31 Dec 2005</i> €
Revenue	–	–	–
Cost of sales	(112,239)	(375,269)	(428,817)
Gross loss	(112,239)	(375,269)	(428,817)
Administrative expenses	(528,898)	(282,872)	(896,145)
Operating loss	(641,137)	(658,141)	(1,324,962)
Finance income	429,448	12,753	82,591
Finance expense	(63,232)	(225)	(137,199)
Loss on ordinary activities before taxation	(274,921)	(645,613)	(1,379,570)
Taxation on ordinary activities	–	–	–
Loss for the year after taxation	<u>€(274,921)</u>	<u>€(645,613)</u>	<u>€(1,379,570)</u>
Loss attributable to minority interests	(8,585)	–	(2,117)
Loss attributable to equity shareholders	(266,336)	(645,613)	(1,377,453)
	<u>€(274,921)</u>	<u>€(645,613)</u>	<u>€(1,379,570)</u>
Basic Earnings per share	(0.31c)	(1.98c)	(4.23c)
Diluted earnings per share	(0.31c)	(1.98c)	(4.23c)

CONSOLIDATED STATEMENT OF RECOGNISED GAINS AND LOSSES

	<i>Unaudited</i> <i>6 mth period to</i> <i>30 Jun 2006</i> €	<i>Unaudited</i> <i>7 mth period to</i> <i>30 Jun 2005</i> €	<i>Audited</i> <i>13 mth period to</i> <i>31 Dec 2005</i> €
Loss for the period	(274,921)	(645,613)	(1,379,570)
Foreign currency translation	(5,428)	(13,033)	(5,522)
Total loss recognised	<u>€(280,349)</u>	<u>€(658,646)</u>	<u>€(1,385,092)</u>
Loss attributable to minority interests	(8,585)	–	(2,117)
Loss attributable to equity holders	(271,764)	(658,646)	(1,382,975)
	<u>€(280,349)</u>	<u>€(658,646)</u>	<u>€(1,385,092)</u>

CONSOLIDATED BALANCE SHEET
As at 30 June 2006

	<i>Unaudited Group 30 Jun 2006 €</i>	<i>Unaudited Group 30 Jun 2005 €</i>	<i>Audited Group 31 Dec 2005 €</i>
Non current assets			
Intangible	6,574,400	4,207,088	3,542,837
Tangible	5,109,173	3,126,642	4,010,932
	<u>11,683,573</u>	<u>7,333,730</u>	<u>7,553,769</u>
Current assets			
Trade and other receivables	4,453,610	1,148,354	1,426,845
Cash and cash equivalents	41,592,192	4,095,472	4,611,816
	<u>46,045,802</u>	<u>5,243,826</u>	<u>6,038,661</u>
Total assets	57,729,375	12,577,556	13,592,430
Current liabilities	(3,610,263)	(335,961)	(1,227,911)
Non current liabilities	(6,871,656)	(7,429,267)	(8,438,708)
Net assets	<u>€47,247,456</u>	<u>€4,812,328</u>	<u>€3,925,811</u>
Capital and reserves			
Called up equity share capital	7,453,300	2,412,165	2,363,268
Share premium account	41,721,641	3,349,129	3,281,241
Equity share options reserve	67,917	22,879	39,388
Other reserves	45,932	62,694	2,899
Retained earnings	(2,030,632)	(1,034,539)	(1,758,868)
	<u>47,258,158</u>	<u>4,812,328</u>	<u>3,927,928</u>
Minority interest in equity	(10,702)	–	(2,117)
Total equity attributable to the company's equity holders	<u>€47,247,456</u>	<u>€4,812,328</u>	<u>€3,925,811</u>

CONSOLIDATED CASH FLOW STATEMENT

	<i>Unaudited</i> <i>6 mth period to</i> <i>30 Jun 2006</i> €	<i>Unaudited</i> <i>7 mth period to</i> <i>30 Jun 2005</i> €	<i>Audited</i> <i>13 mth period to</i> <i>31 Dec 2005</i> €
Cash flows from operating activities			
Cash expended on operations	(1,298,847)	(927,655)	(809,133)
Finance income	429,448	12,753	82,591
Finance expense	(63,232)	(225)	(137,199)
Net cash used in operating activities	<u>(932,631)</u>	<u>(915,127)</u>	<u>(863,741)</u>
Cash flows from investing activities			
Purchase of tangible non current assets	(1,149,477)	(26,751)	(1,080,296)
Purchase of intangible non current assets	(3,335,075)	(683,026)	(547,523)
Net cash used in investing activities	<u>(4,484,552)</u>	<u>(709,777)</u>	<u>(1,627,819)</u>
Cash flows from financing activities			
Ordinary share issue costs	(2,985,098)	(9,041)	(8,922)
Proceeds from issue of ordinary shares	44,591,657	–	–
Issue of convertible loan stock	–	2,261,669	2,215,868
Long-term borrowings introduced	791,000	2,067,039	3,495,721
Net cash flows from financing activities	<u>42,397,559</u>	<u>4,319,667</u>	<u>5,702,667</u>
Increase in cash and cash equivalents in the period	36,980,376	2,694,763	3,211,107
Cash and cash equivalents at 1 January 2006 (1 December 2004)	4,611,816	1,400,709	1,400,709
Cash and cash equivalents at 30 June 2006	<u>€41,592,192</u>	<u>€4,095,472</u>	<u>€4,611,816</u>

NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

	<i>Unaudited Group 30 Jun 2006 €</i>	<i>Unaudited Group 30 Jun 2005 €</i>	<i>Audited Group 31 Dec 2005 €</i>
Cash generated by/(expended on) operations			
Operating loss for the period	(641,137)	(658,141)	(1,324,962)
Adjustments for:			
Expensing of exploration costs	112,239	375,269	428,817
Depreciation of other intangible non current assets	3,459	–	2,723
Depreciation of tangible non current assets	2,725	1,665	3,452
Exchange differences	(160,248)	(111,714)	(14,397)
Decrease/(increase) in trade and other receivables	(3,026,767)	(625,511)	(904,002)
Increase/(decrease) in trade and other payables	2,382,354	86,247	978,197
Share based payments	28,528	4,530	21,039
Cash (expended on) operations	<u>€(1,298,847)</u>	<u>€(927,655)</u>	<u>€(809,133)</u>

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

	<i>Unaudited Group 30 Jun 2006 €</i>	<i>Unaudited Group 30 Jun 2005 €</i>	<i>Audited Group 31 Dec 2005 €</i>
Increase in cash	36,980,376	2,694,763	3,211,107
Cash flow from increase in debt	<u>(791,000)</u>	<u>(4,328,708)</u>	<u>(5,711,589)</u>
Changes in debt resulting from cash flows	36,189,376	(1,633,945)	(2,500,482)
Conversion of convertible loan stock and accrued interest	2,390,996	–	–
Capitalised interest	<u>(32,944)</u>	<u>(3,100,559)</u>	<u>(2,727,119)</u>
Movement in net funds/(debt) in period	38,547,428	(4,734,504)	(5,227,601)
Net funds/(debt) at beginning of period	<u>(3,826,892)</u>	<u>1,400,709</u>	<u>1,400,709</u>
Net funds/(debt) at end of period	<u>€34,720,536</u>	<u>€(3,333,795)</u>	<u>€(3,826,892)</u>
Represented by:			
Cash	41,592,192	4,095,472	4,611,816
Gemini loan	(6,080,656)	(5,167,598)	(6,222,840)
Convertible loan stock	–	(2,261,669)	(2,215,868)
Avobone loan	<u>(791,000)</u>	<u>–</u>	<u>–</u>
	<u>€34,720,536</u>	<u>€(3,333,795)</u>	<u>€(3,826,892)</u>

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 13 month period ended 31 December 2005.
2. The interim report for the six months to 30 June 2006 was approved by the Directors on 27 September 2006.
3. 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 sub-divided into 600,000,000 ordinary shares of 5p each.
4. The Company successfully listed on the Alternative Investment Market of the London Stock Exchange on 22 August 2006. At the time of the listing the Company placed 22,970,582 5p shares at a placement price of 55p per share raising £12.63 million in the process.
5. The calculation of the basic earnings per share is based on the weighted average number of shares in issue throughout the six month period. The diluted earnings per share has been calculated in accordance with the provisions of IAS 33 and is the same as the basic earnings per share for the period.
6. The interim results are unaudited and do not constitute statutory financial statements as defined in section 240 of the Companies Act 1985.

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