

Aurelian Oil & Gas

Sierkierki (Poznan Asset) risked EMV increased by c 120%

The new CPR points towards a best case risked EMV for the Sierkierki gas accumulation of \$285m (euros 190m), also well above the June 06 CPR estimations (\$130m). This is due to a large upwards revision of Poland Gas price from \$128/1000m³ to \$6.25/mscf (c.\$220/1000m³) that largely offset the reduction of the estimation of risked resources from 250 bcf to 137 bcf.

Table 1: Risked EMV and resources estimates for Sierkierki gas accumulation

	C2 Risked Resources bcf		C2 Risked EMV (\$m)		% Change Risked EMV
	CPR 06.06	CPR 03.08	CPR 06.06	CPR 03.08	
Contingent Resources - Poland					
Sierkierki (Poznan)	250	137	130	285	119%

Source: RPS

RPS also indicates that C1, C2 and C3 unrisks NPV net to Aurelian stand respectively at \$186m (euros 124 m), \$395m (euros 263.3m) and \$673m (euros 449 m).

Table 2: Unrisks and risked EMV (\$m)

	Low 1C	Best 2C	High 3C
Unrisks EMV (Success Case NPV @10%) euro m	124.0	263.3	449
Unrisks EMV (Success Case NPV @10%) \$ m	186	395	673.5
Risks EMV (72%) - \$m	134	285	485

Source: RPS

Further gas price assumptions increase from a conservative base could be the source of additional upside

The gas price assumption used for the valuation of Sierkierki gas accumulation is 6.25\$/mscf according to Aurelian. Given the current level of gas price in Poland (8\$/mscf according to Aurelian) and the expected convergence of Polish and German gas price (around 10\$/mscf in 2007), a further revision of Polish gas price assumption cannot be discarded. This could be the source of significant source of upside to the current fundamental valuation.

Target Price raised from 85p/sh to 115p/sh

As previously, we only include Poznan (Poland) assets and Romania 2P in our valuation of Aurelian Oil and Gas.

We have increased our estimate valuation of the Sierkierki gas accumulation assets (Poznan field) to \$285m in line with the March 2008 CPR values. This represents an uplift of c.\$90m compared to our previous figure of \$197m, which was based on a 75% chance of success (vs 50% in the June 06 CPR).

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Table 3: Summary of risked valuation (NPV 10%)

Summary of risked valuation (NPV 10%):	US\$ mn	GBP mn		US\$ mn	GBP mn
Romania 2P reserves	6.4	3.2	100%	6.4	3.2
Poland contingent resources	395	197.5	72%	284.4	142.2
Low and medium risk prospective resources	52.9	26.5	0%	-	-
High risk prospective resources	185.7	92.9	0%	-	-
Risked EMV	529.4	264.7		290.8	145.4

Source: FDC

Based on a Risked EMV of £145.4m, estimated cash in hand of euros 26 m, total number of shares (diluted) of £145.7 m, our new Target Price for Aurelian stock is 115p/sh (85p/sh previously) with US\$/GB£ exchange rate of 2.0.

Table 4: Base Valuation Case (March 2008)

	US\$ mn	GBP mn
Risked EMV	290.8	145.4
Cash-in-hand	39	19.5
Number of shares (fully diluted), million	145.7	145.7
Valuation per share	2.26 \$/sh	1.15 £/sh

Source: FDC

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Appendix 1: Risked Contingent Resources estimates reduced by 45% in March 2008 CPR does not include possible extension of the Sierkierki gas accumulation below the city of Poznan

The new estimates for unrisked and risked contingent resources are increased respectively from 500 bcf to 190 bcf and from 250 bcf to 137 bcf.

Table 2: Resources Estimates for Sierkierki (Poznan)

	CPR 06.06			Risk Factor	Risked bcf	CPR 03.08			Risk Factor	Risked bcf
	bcf (net)					bcf (net)				
Contingent Resources - Poland	Low	Best	High			Low	Best	High		
Sierkierki (Poznan)	380	500	644	50%	250	105.5	190.1	305.9	72%	137
% Change						-72%	-62%	-53%		-45%

Source:RPS

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- This reduction is mostly due to the reduction of the estimated net pay zone for Sierkierki gas accumulation assets (Poznan field)
- However the Chance of Success has been increased from 50% to 72%, broadly in line with our expectations (75%)
- There could be a possible extension of Sierkierki gas accumulation assets (Poznan field) to the west below the city of Poznan. This could be the source of important resources upside, given that horizontal drilling may enable an operator to extract potential resources below the city.
- The extent and form of the structure will be refined through 3D seismic acquisition during 2008



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Appendix: Sierkierki gas accumulation (Poznan field) additional information

- Operation
 - In the “best” estimate case, an eleven well development plan would lead to a sales plateau of 55 MMscf/d by 2012. Sales gas is estimated after allowing for the removal of 10.7% inert gases and 3% fuel gas.
 - The field will be developed using horizontal wells
 - The company envisages to drill 2 horizontal well per year. Estimated horizontal well cost could reach \$20m
 - Estimated individual well stable flow is 7-9 mmscf/d
 - A field development plan could be finalized by Q3 2010 and provision would be made for 3 gas processing plants with a total of 700 mcm/d
 - Capex for field development is estimated at euros 300 m
 - First gas estimated by H2 09 from two wells (Trzek-1 and horizontal well)
 - In order to book reserves, Aurelian would need to successfully flow a horizontal well. This will not take place before the completion of the first horizontal well in 2009
- Commercial
 - Poland imports 60% of its gas requirements mostly from Russia. Poznan is estimated to be short of 60 mcm per year of gas.
 - Gas sales contracts are currently being negotiated
 - Aurelian indicates that current gas price in Polands stand at 8\$/mscf (c \$ 280/mcm)



EQUITY RESEARCH

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Research disclosure as of March 13, 2008

Company: Aurelian Oil & Gas

Disclosure: 1, 2, 8, 9

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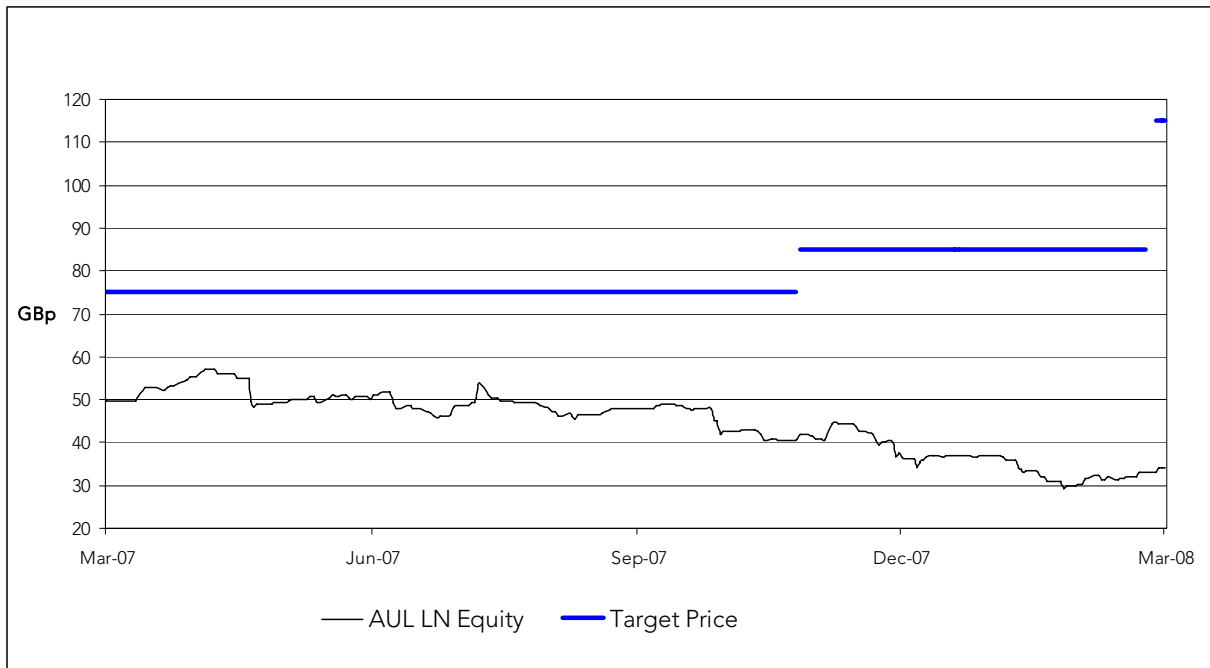
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Disclosure charts

Exhibit 1: Aurelian share price chart



Source: FDC

Recommendation Summary

Date	Recommendation	Target Price (p)
Oct 3, 2006	Initiate at Buy	n.a.
Mar 8, 2007	Set target price	75.0
Nov 19, 2007	Upgrade target price	85.0
Feb 5, 2008	Maintain target price	85.0
Feb 14, 2008	Maintain target price	85.0
Mar 13, 2008	Upgrade target price	115.0



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