



Aurelian Oil & Gas

Buy, target price:75.0p

Trzek-1 well in Poland spudded

Event:

Aurelian Oil & Gas announced yesterday that on March 7, 2007 its 90%-owned Polish subsidiary Energia Zachod Sp., has spudded the well on the Siekierki structure, in Poland. The Trzek-1 well is planned to be drilled to a target depth of 3,900m and is anticipated to take approximately three and a half months to drill to the target depth and test.

The well will evaluate the Permian Rotliegendes sandstone of the Siekierki structure, which was tested in the 1970s by four wells, all of which recorded gas at non-commercial rates. The well will evaluate the performance of the reservoir using modern drilling and testing techniques. Further announcement concerning the well is expected at the casing point at 2,900m.

Impact:

This is a significant event for the company, as the well will test the contingent resource of the Siekierki structure. This is also a start of the intense activity over the next few months with additional four to five wells planned to be drilled in Romania and an exploration well in Bulgaria. Drilling at Radauti East-1 in Romania and at the Golitza-1 in Bulgaria are both expected to commence in April 2007.

Valuation:

The announcement has no impact on the valuation of the company.

Recommendation:

We initiated coverage of Aurelian on October 3, 2006 with a Buy recommendation at 40.25p following the successful £12.6mn IPO on August 22, 2006. Given the planned activity over the coming months we anticipate increased volatility of the stock in anticipation of the drilling results. While we can not predict the outcome of the exploration programme, we believe that Aurelian is fundamentally undervalued.

Aurelian is well-funded and has a diversified exploration portfolio of low and high risk prospects and a small producing gas field in Romania. Based on a 50% risked value for the contingent resource in Siekierki structure of US\$130.1mn (£66.7mn) alone and net cash of US\$66.5mn (£34.1mn) our target price per share is 75.0p.

We maintain our Buy recommendation with a target price of 75.0p.

Company Statistics

Share Price (p)	49.0
Shares Outstanding (mn)	134.2
Warrants and Options	12.0
Fully Diluted Shares (mn)	146.2
Market Capitalisation (£ mn)	65.8
Average Daily Turnover (£ '000)	182.5
Net Debt/(Cash) (£ mn)*	-34.1
Minorities (£ mn) 0.01	0.01
Enterprise Value (£ mn)	31.7
52-week High / Low (p)	59.75 / 37.00
Website	http://www.aurelianoil.com/

* as of end-November 2006

Share Price



Company Summary

Aurelian Oil & Gas is a well-funded oil and gas E&P company with a diversified portfolio of assets in Central and South-Eastern Europe and an aggressive and ambitious exploration programme for this year

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Aurelian Oil & Gas

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Prior to joining Fox-Davies Capital, Zarko was senior oil & gas analyst at Aton Capital's equity research team in Moscow, and an oil & gas analyst for CA IB International Markets.

Zarko trained as a geologist and engineer, and spent numerous years working in the natural resources industry at projects in the North Sea, Africa and Russia. He entered the Investment banking sector in 1996, as an analyst with T.Hoare & Co. Stockbrokers (Canaccord Europe) and later joined ABN Amro Equities in their oil & gas research division.

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Research disclosure as of March 9, 2007

Company: Aurelian Oil & Gas

Disclosure: 1, 2, 8, 9

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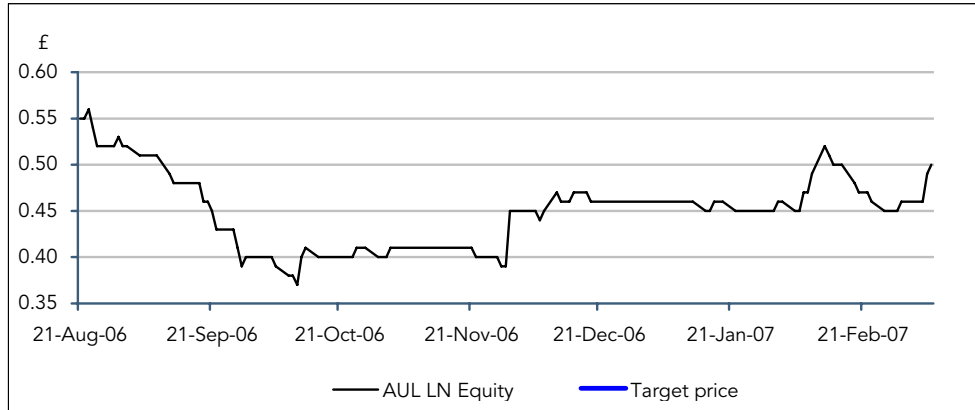
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Sell recommendation means that expected total return expected over 12 months between current and analysts' target price is negative.

Disclosure charts

Exhibit 1: Aurelian Oil & Gas share price chart



Source: Bloomberg, FDC

Recommendation Summary

Date	Recommendation	Target Price (£)
Oct 3, 2006	Initiate at Buy	n.a.
Mar 8, 2007	Set target price	0.75



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